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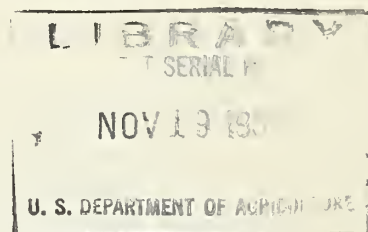
1958 OUTLOOK ISSUE

November 1957

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The DEMAND and PRICE SITUATION

DPS-35



AGRICULTURAL SITUATION AND OUTLOOK FOR 1958

Prices and incomes to farmers, which have improved the last two years, are expected to average much the same in 1958 as in 1957. The present situation of heavy supplies of farm commodities, a strong domestic demand for food and other farm products and a high level of exports, though probably not as high as the record of the 1956-57 marketing year, appears likely to continue into 1958. With prospects also that nonfarm income to farm people, which now accounts for about one-third of their total income, will rise further in 1958 and that the long-term trends toward fewer farms and fewer farm people will continue, income per farm and income per person living on farms could well show some increases in 1958.

So far this year, prices received by farmers have averaged 3 per cent higher than in the same period of 1956. Much of the gain has been due to substantially higher prices for hogs, reflecting smaller marketings, and for beef cattle, where improved ranges and a strong feeder demand have been favorable factors. Feed-grain prices, on the other

(Continued on page 3)

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1956		1957			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	143	146	144	145	144	
All manufactures	do.	144	147	146	147	146	
Durable goods	do.	159	163	161	162	159	
Nondurable goods	do.	129	131	130	131	132	
Minerals	do.	129	131	127	130	129	
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	46,060	3,890	3,824	3,940	3,977	4,028
Private residential	Mil. dol.	17,632	1,451	1,349	1,377	1,392	1,414
Housing starts <u>3/ 4/</u>	Thousands	1,118	1,052	980	1,010	990	
Construction contracts awarded <u>5/</u>	Mil. dol.		2,443	2,901	2,818		
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	27,711	28,696	29,030	28,571	28,200	
Durable goods	Mil. dol.	13,805	14,393	14,573	14,300	14,100	
Unfilled orders-sales ratio <u>6/</u>		4.42	4.14	3.84	3.83	3.79	
Inventory-sales ratio <u>7/</u>		1.89	1.80	1.86	1.90	1.92	
Durable goods		2.19	2.10	2.17	2.22	2.25	
Employment and wages: <u>8/</u>							
Total civilian employment <u>9/</u>	Million	65.0	66.2	67.2	66.4	65.7	
Nonagricultural <u>2/</u>	do.	58.4	59.0	59.4	59.6	59.2	
Unemployment <u>9/</u>	do.	2.6	1.9	3.0	2.6	2.6	
Workweek in manufacturing	Hours	40.4	40.7	39.7	40.0	40.0	
Hourly earnings in manufacturing	Dollars	1.98	2.02	2.07	2.07	2.08	
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	326.9	334.1	346.2	346.8	346.5	
Consumer credit outstanding <u>1/</u>	Mil. dol.	41,863	40,196	42,365	42,881	43,011	
Automobile	Mil. dol.	14,436	14,478	15,295	15,455	15,519	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	15,811	16,130	17,034	17,030	16,727	
Durable goods	Mil. dol.	5,484	5,516	5,839	5,740	5,639	
Inventory-sales ratio <u>7/</u>		1.51	1.47	1.42	1.42	1.99	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	114	116	118	118	118	
Commodities other than farm and food	do.	122	124	126	126	126	
Farm products	do.	88	88	93	93	91	
Foods processed	do.	102	104	107	107	106	
Consumer price index, all items <u>4/</u>	1947-49=100	116	118	121	121	121	
Food	do.	112	113	117	117	118	
Prices received by farmers <u>10/</u>	1910-14=100	235	234	247	248	245	240
Crops	do.	240	231	239	233	228	224
Livestock and products	do.	230	236	254	260	259	254
Prices paid, interest, taxes and wage rates <u>10/</u>	1910-14=100	286	288	295	295	296	296
Family living items	do.	278	279	287	287	287	286
Production items	do.	249	250	257	257	258	258
Parity ratio <u>10/</u>		82	81	84	84	83	81
Farm income and marketings: <u>10/</u>							
Volume of farm marketings	1947-49=100	120	182	111	116		
Cash receipts from farm marketings	Mil. dol.	30,372	3,816	2,441	2,579		

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.

4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Data published by the Department of Commerce in the Survey of Current Business, from reports of the F. W. Dodge Corporation. 6/ Unfilled orders for durables divided by monthly deliveries. 7/ Inventories, book value, end of month, divided by sales. 8/ Bureau of the Census. 9/ Starting with January 1957, figures are not strictly comparable with earlier periods because of changes in definitions of employment and unemployment. 10/ U. S. Department of Agriculture, Agricultural Marketing Service.

Annual data for most of these items for the years 1929, 1932 and 1939-56 appear on page 31 of the April 1957 issue of The Demand and Price Situation.

THE DEMAND AND PRICE SITUATION

Approved by the Outlook and Situation Board, November 6, 1957

CONTENTS

	<u>Page</u>		<u>Page</u>
Agricultural Situation and Outlook for 1958.....	1	Rye.....	44
Domestic Demand Conditions.....	8	Rice.....	45
Foreign Demand.....	22	Fruit.....	45
Agricultural Prices and Income...	30	Commercial Vegetables.....	47
Livestock and Meat.....	36	Potatoes and Sweetpotatoes.....	48
Dairy Products.....	37	Dry Beans and Peas.....	48
Poultry and Eggs.....	38	Cotton.....	49
Oilseeds, Fats and Oils.....	40	Wool.....	50
Feed.....	42	Tobacco.....	52
Wheat.....	43	Forest Products.....	54

Continued from cover page -

hand, are sharply lower in recent months as a result of an increasing surplus feed-grain supply. Prices paid by farmers (including interest, taxes and farm wage rates) in the first 10 months of this year averaged 3 1/2 percent higher than a year earlier. Prices of most industrial products purchased by farmers have risen, especially motor vehicles and farm machinery. In addition, interest and tax payments and farm wage rates continued to move up in 1957 as they have in recent years. The parity ratio so far in 1957 has averaged 82 compared with 83 in the first 10 months of 1956.

Farm operators' realized net income in the first 3 quarters of 1957 totaled some 2 percent higher than in the same period of 1956. Net farm income, including the value of inventory change, has also shown a slight increase. Both gross farm income, including government payments, and production expenses have risen. For the full year 1957, realized net income may total slightly above the 12.1 billions in 1956 and well above the 11.6 billions in 1955, the low point in the postwar period. Between 1955 and 1957 government payments to farmers increased almost 800 million dollars. Cash receipts from farm marketings rose about a billion dollars but production expenses increased more than a billion.

For 1958, the most significant changes in farm product prices presently in view are somewhat lower prices for 1958 crop wheat, reflecting prospects for a large crop and a lower price support level, and for hogs, for which an increase in production is underway. On the other hand, with cattle numbers

declining, somewhat smaller slaughter could well bring further price improvement for beef cattle in 1958. For eggs, also, a reduction in the laying flock will bring smaller supplies and higher prices at least in the first half of 1958 compared with the first half of 1957. While prices paid by farmers have tended to level off in recent months, some further slight increases appear likely in 1958, particularly those resulting from higher interest and tax payments and rising farm wage rates. Thus, not much change is indicated in the parity ratio for 1958, and unless the rise in cost rates to farmers is arrested, the ratio may decline further.

Farm output in 1958 could well equal or exceed this year's production if weather and yields continue favorable. Based on October 1 indications, farm output in 1957 is expected to equal the record of 1956. Despite a reduction of about 3 percent in cropland used this year, primarily due to the Soil Bank program, crop production in 1957 is at about the same level as in 1956 and much of it will be marketed in 1958. Reduced hog production is being about offset by increases in other livestock products. With less funds available for the acreage reserve of the 1958 Soil Bank program, additional administrative requirements for participation and more favorable soil moisture, fewer acres are likely to be withdrawn from use in 1958 than were withdrawn this year. Further, with hog and broiler output expanding, production and marketings of livestock and livestock products may also edge up in 1958.

Accordingly, gross farm income next year may show a slight increase over 1957, reflecting a slightly larger volume of marketings at about the same overall level of prices. Government payments to farmers may not be much different with somewhat smaller payments under the acreage reserve but probably larger payments under the conservation reserve of the Soil Bank. But there is also likely to be a slight further increase in production expenses.

While stocks of wheat and cotton have been reduced significantly over the past year as a result of heavy export movement under Government programs, they are still large. Carryover stocks of wheat on July 1, 1957 totaled some 900 million bushels, down about 125 million from a year earlier. Carryover stocks of cotton on August 1 totaled about 11.2 million bales, down about 3.3 million bales over the year. On the other hand, stocks of corn on October 1 were almost 1.4 billion bushels, up nearly 200 millions from a year earlier. The Commodity Credit Corporation investment in inventories, and price support activities on August 31, 1957 totaled 6.7 billion dollars, down over 1 billion dollars from a year earlier. While some further decline in wheat and cotton carryovers may occur this season, the carryover of feed grains will likely increase substantially further, and the prospects for a reduction in overall stocks in the marketing year 1958-59 are not promising.

During fiscal 1956-57, U. S. exports of agricultural commodities were at a record high level both in value and in volume. The export value was 4.7 billion dollars, up 35 percent from the previous year while volume was increased almost 40 percent. For cotton and grains most of the export increase was due to Government programs designed to enlarge export outlets, particularly

Government sales of cotton at world prices and grains and Public Law 480 which, among other provisions, permits the export of farm products for foreign currencies. Exports of cotton rose from 2.2 million bales in 1955-56 to 7.6 millions in 1956-57. Wheat exports rose some 200 million bushels to about 550 million bushels. Rice exports more than doubled. Exports of fats and oils were up moderately from the very high level of 1955-56. Exports of tobacco, however, showed some decline.

During the current fiscal year, exports are not likely to equal the record level of 1956-57. Cotton exports, while anticipated to be larger than in most other recent years, will fall somewhat short of the very high level of last year. A better European wheat crop may well reduce their requirements for imported wheat this year. However, substantial Government funds are available for export programs and it seems likely that total exports, while down from 1956-57, will still exceed those of 1955-56. Under present circumstances, variations in the rate of export shipment of most commodities for which CCC stocks are large have more influence on the level of stocks than on the current levels of farm prices and incomes.

The domestic market for food and other farm products should continue fairly strong and steady, with population growing at the rate of some 3 million persons each year. Consumer disposable income (income after taxes) has increased 5 percent over the past year. Even after allowance for higher prices and for a larger population this year, per capita purchasing power is much the same as the high level of a year ago. Consumer expenditures for food continue to rise with incomes but much of the increase has been absorbed by additional services and the higher costs of services associated with food. The farmers' share of the consumer retail food dollar for this year is expected to average 40 cents, about the same as a year earlier.

The domestic economy has continued to expand over the past year, though the rate of growth has slowed and much of the dollar increases in Gross National Product has reflected price increases. Nonagricultural employment continues relatively stable at a level above a year ago but the average work week is shorter. However, with rising wage rates and some increase in Social Security payments this year reflecting wider participation, the flow of income to consumers has been augmented. Consequently, retail sales and consumer expenditures, in general, have been strong, although expenditures for durable goods, notably automobiles and appliances have not significantly improved. The decline in residential construction appears to have come to an end. Government expenditures are at a higher rate than a year ago, notably for the national defense by the Federal Government and for public works by State and local units. However, defense outlays in the third quarter of 1957 were down slightly from the second quarter. Business investment in new plant and equipment has leveled off in recent quarters after a rise of almost 50 percent since early 1955.

A number of more or less off-setting trends appear to be in prospect for 1958. Total government expenditures, including Federal, State, and local governments, may remain at about current levels. Outlays by State and local

governments will continue to increase for schools, roads and other public facilities. Federal expenditures may decline some from recent levels in the current fiscal year which ends next June, but expenditures for agricultural programs are scheduled to be higher than in 1956-57.

It may well be, that the export balance and the business investments sector will not be as strong forces in the economy over the next year as in the past year. U. S. exports increased sharply earlier this year, partly a reflection of the blocking of the Suez Canal. With international routes re-established and the need for some foreign countries to maintain or replenish financial reserves, some declines may occur in U. S. shipments abroad. But U. S. imports will likely be maintained close to this year's level. It seems probable, also, that some reduction in business outlays for new plant and equipment may well occur in 1958. Plant capacities have been enlarged, in some instances above present demands, particularly in manufacturing. In addition, tight credit and a less favorable cash position are having some effect on business investment plans. Investment by utilities continues to increase.

The housing situation appears likely to improve. Housing starts have been holding steady, on a seasonally adjusted basis, in recent months. FHA terms have been made somewhat more liberal. Mortgage funds may be more readily available in 1958. Vacancy rates continue low.

Also, the consumer sector should be strong. It seems likely that consumer incomes will be fairly well maintained in the year ahead. Over the past year, consumer expenditures have risen slightly more than consumer incomes. While the personal saving rate out of current income has declined a little, it is still high compared with 1955 when large purchases of automobiles and other durable goods were an initiating force of the boom in that year. Automobile sales next year may show some improvement as the record year of 1955 recedes. Further, an increase in new housing will stimulate sales of appliances.

Barring new developments, particularly those that might arise from the international situation, it is probable, therefore, that we face little change one way or the other in total demands on the economy next year or in the demand for food. Increased expenditures by the consumer and by State and local governments could well offset prospective reduction in outlays by the Federal Government and by business for investment purposes.

Commodity Highlights

Prices of cattle are likely to average as high or higher in 1958 as in 1957. Hog prices will likely hold near 1957 levels during the first half of 1958, but lower during the second half as production is expected to increase above 1957. Prices of sheep and lambs may be about the same next year as in 1957.

A slight increase in milk production is expected in 1958, and prices are expected to remain at present levels at least until March 1958. Cash receipts from dairy products in 1958 are likely to rise further to a new high.

Egg prices to farmers probably will average higher in 1958 than the estimated 1957 average of 35 cents a dozen; production will reflect a probable decline of 5 percent in the number of layers on hand next January 1. Broiler prices for 1958 are likely to be close to the estimated average price of 19 cents a pound in 1957; however, production is expected to be up slightly. Turkey prices in early 1958 probably will be below 1957 levels. If expected cutbacks in production for 1958 are made, prices of turkeys in the last half of 1958 will be higher than in the last half of this year.

With large supplies of edible fats and oils expected for the 1957-58 marketing year and a strong domestic and foreign demand, prices of butter this fall and winter will average about the same as a year earlier. But prices of lard and vegetable oils may be somewhat lower, as increased soybean output will more than offset declines in cottonseed. Prices of peanuts are likely to average near the support loan value, which is slightly below a year earlier. Farm prices of flaxseed and linseed oil in 1957-58 are expected to average slightly higher than the \$2.99 per bushel received last year.

With record corn, barley and sorghum grain supplies, feed grain prices in 1957-58 are expected to average lower than a year earlier, influenced by a record 1957 production indicated in October and lower price supports than in 1956.

Prospective acreage of wheat for 1958, and excellent moisture conditions for winter wheat, point to another very large crop possibly in the range of 975-1,000 bushels. At the end of the 1958-59 marketing year, no substantial further decline in the carryover is likely.

The supply of rye for the 1957-58 year is smaller than last year -- 36.5 million bushels, compared with 41.7 million in 1956-57.

Some further reduction in the carryover of rice is expected by August 1, 1958.

The supplies of citrus and deciduous fruits this fall are heavier than last and prices are averaging somewhat lower. With prospects for continued high consumer incomes, demand for fruit will probably remain fairly stable. The 1958 deciduous fruit crop, assuming average or better growing conditions, will be a little larger than 1957.

Supplies of fresh vegetables this fall will probably remain below a year ago, and prices are expected to continue above those of a year earlier. Supplies of canned vegetables may total a little smaller than the large supplies of last year into mid-1958 but still substantially larger than average. Retail prices are likely to average moderately above those of the previous season.

Fewer potatoes will be available from now until next spring and prices received by growers are expected to average substantially above the low levels a year earlier. Sweetpotato prices in the winter and spring are likely to be higher than in corresponding months of 1957.

Prices received by farmers for 1957 crop dry edible beans will probably average a little higher than last year. Prices received for 1957 crop field peas are likely to continue at relatively low levels.

The supply of cotton in 1957-58 is expected to be considerably smaller than in the past season. The starting carryover was down 3.3 million bales from a year earlier and the 1957 crop is smaller than that of 1956. Disappearance is also expected to decline but is likely to exceed production so that the carryover on August 1, 1958, will be below a year earlier.

Prices of shorn wool received by domestic growers in the 1957 marketing season are likely to average higher than last season, and the rates of incentive payments are likely to be lower. Lower average prices and higher payments may be in prospect for the 1958 season.

Cigarette consumption in 1957 is running at a record rate of 405 billion but the amount of tobacco used has declined, as more cigarettes are being made per pound of tobacco than formerly. Total supply of flue-cured tobacco in 1957-58 is 6 percent below 1956-57 and prices so far are up 7 percent.

The volume of forest products in 1957 is estimated to be about 4 percent less than the peak in 1956. The drop in sawlog production reflects a smaller volume of home building. Pulpwood production also declined as the demand for paper and paperboard eased in 1957. The production, consumption and exports of naval stores are estimated lower in 1957 than in 1956, but stocks of rosin and turpentine are higher.

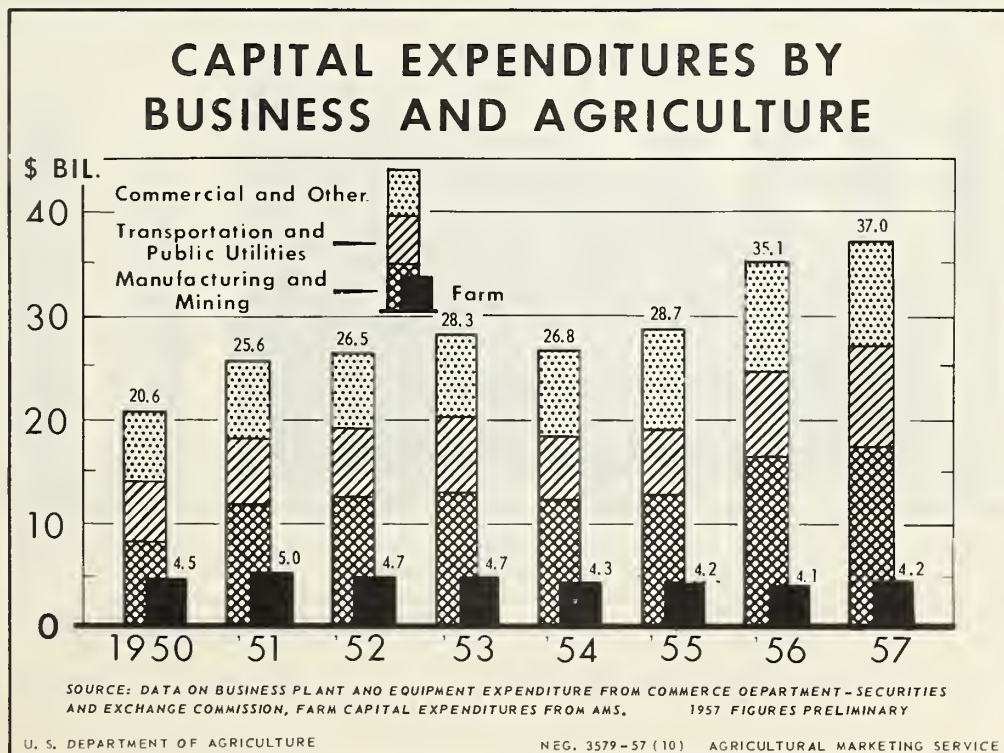
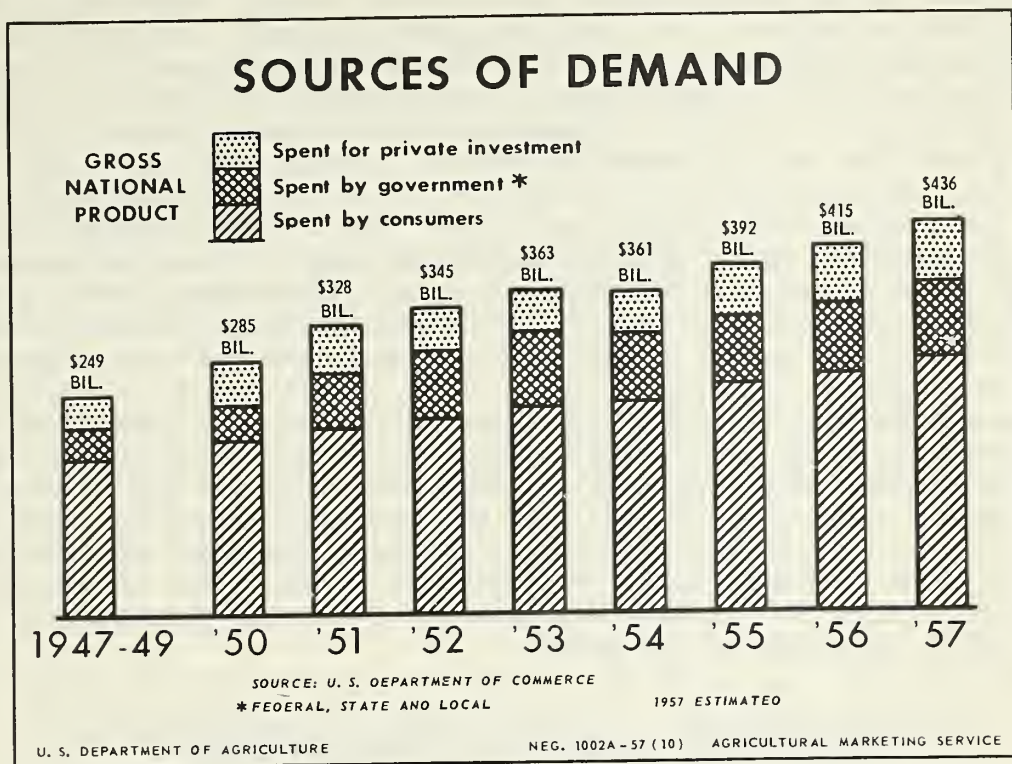
DOMESTIC DEMAND CONDITIONS

The strong domestic market for food and other farm products will likely continue into 1958. Population is expanding at a rate of about 3 million persons per year. Economic activity and consumer incomes, which have improved some this year, are not expected to change much in the coming year. Since prices in general have increased during the past year, part of the rise in consumer income and spending from a year ago reflects the general increase in prices during the past year. Some declines in production and employment in manufacturing this year have been offset by increases in the nonmanufacturing industries.

Consumer income and spending, both of which have increased more than 5 percent from a year ago, probably will continue to bolster a high level of economic activity. Government spending has expanded further and in the third quarter this year was up 8 percent from 1956.

Private investment outlay for new plant and equipment has leveled out in 1957. Capital expenditures which reached a peak of 37.2 billion dollars in the July-September quarter are expected to decline fractionally in the closing months of 1957. Capital spending plans reported by larger manufacturing corporations point to moderate declines in spending in 1958. Residential

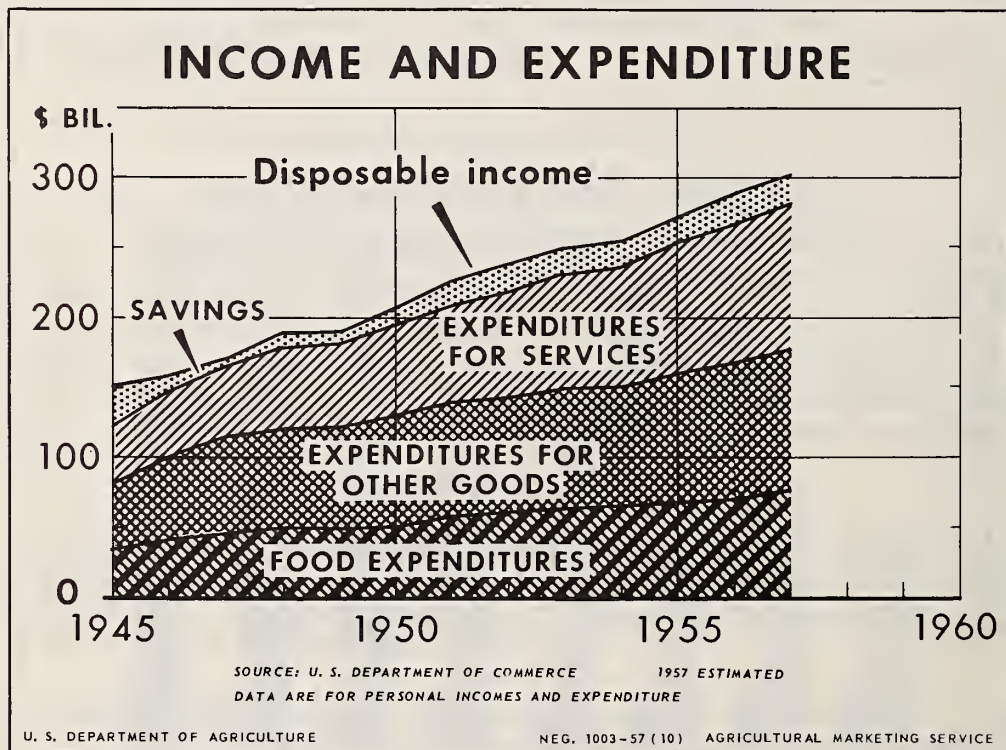
struction, although below a year earlier, has picked up in recent months. Further improvement is possible in 1958, if more mortgage funds become available.



Consumer Income Continues High

Consumer incomes after personal taxes in July-September were at a rate of 303 billion dollars, up 5 percent from a year earlier. Most of the gain was from wages and salaries, due to a $1\frac{1}{4}$ percent increase in nonfarm employment and generally higher earnings. All industries except manufacturing shared in the gain. In manufacturing, employment declined about 1 percent and average weekly hours of factory workers were down almost 2 percent while average hourly earnings were up almost $3\frac{1}{2}$ percent, leaving wages and salaries approximately unchanged from a year earlier. Proprietors income, farm, business and professional, as well as interest and dividend payments increased from a year ago while rental income remained unchanged. Disposable income per person increased 3 percent. But with prices up $3\frac{1}{3}$ percent, real income per person is about the same as a year earlier. For the first 9 months of 1957, per capita disposable income adjusted for higher prices declined slightly.

Personal savings, the difference between the amount of money individuals receive as income after taxes and the amount they spend for consumption, were 6.5 percent of disposable income in July-September compared with 7 percent for the same period a year earlier. In 1955 the savings rate was 5.8 percent of consumer income after taxes as consumers made large purchases of homes, automobiles and other household durables by going into debt. The increase in the savings rate in 1956 to 7 percent was associated with the slackening in home-building and in purchases of new autos.

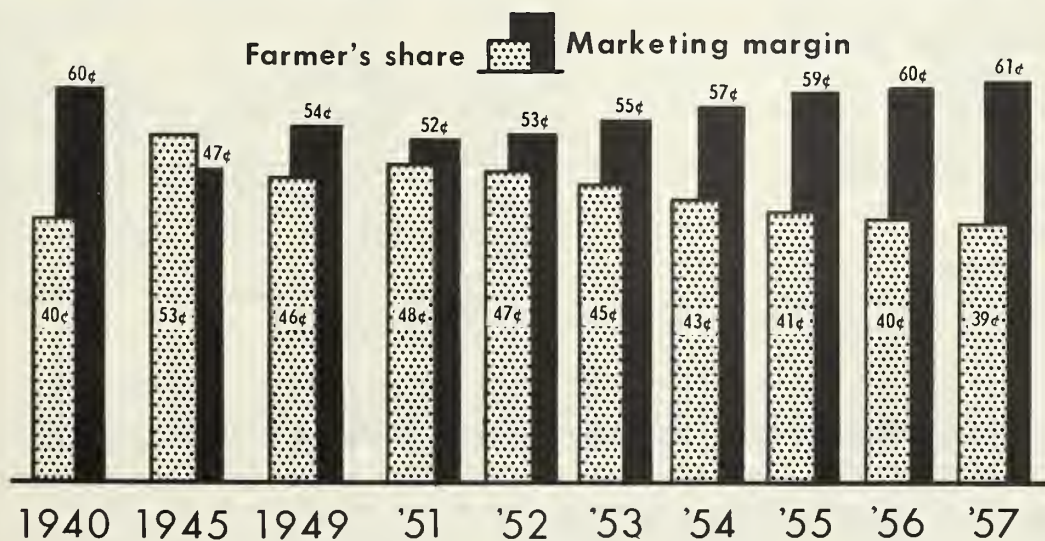


Consumers have continued to use credit extensively during the past year, and total consumer credit outstanding at the end of September was 43.0 billion dollars, up nearly 3 billion dollars from a year earlier. This increase was about the same as in 1956 but about one-half as large as in 1955 when record automobile purchases stimulated expansion of credit. Installment loans, particularly for the purchase of automobiles and household durables, account for about three-fourths of the total. Charge accounts, single payment loans and other credit accounted for the remainder.

Consumer Expenditures

Increasing consumer expenditures, particularly for nondurable goods and services, contributed materially to the expansion in economic activity during the first 9 months of 1957. At 283.2 billion dollars during July-September, expenditures were more than 5 percent higher than a year earlier, about 2 1/3 percent above the January-March quarter. Consumer expenditures for durable goods during the third quarter of 1957 at 34.7 billion dollars were up more than 5 percent from a year earlier though down about 3 1/3 percent from the first quarter of 1957. Consumer expenditures for nondurable goods and services advanced throughout 1957 and in the third quarter were up 6 percent and 5 percent respectively from a year earlier.

FARMER'S SHARE AND MARKETING MARGIN OF RETAIL FOOD DOLLAR*



* DATA FOR MARKET BASKET OF FARM FOODS BASED ON AVERAGE 1952 PURCHASES BY URBAN FAMILIES
DATA FOR 1957 PRELIMINARY.

Expenditures for food have risen in 1957 as consumers continued to spend approximately a fourth of their incomes on food. Expenditures for food and alcoholic beverages in the second quarter of 1957 were 6 percent above a year earlier. Increases in retail prices were partly responsible for higher food expenditures. The retail cost of the "market basket" of farm-produced food products in the July-September quarter was up 4 percent from a year earlier. Higher farm prices, up 2 percent, accounted for about one-fourth and higher marketing charges, up 5 percent, for three-fourths of the increase in the retail cost of farm-produced food products. The increase in marketing charges was the second largest year-to-year gain since 1951. The farmers' share of the consumer dollar spent for food, at 40 cents in July-September 1957, was 1 cent lower than a year earlier.

Table 1.- Consumer income, spending and saving, third quarter 1956 to third quarter 1957, seasonally adjusted annual rates

Item	1956		1957		
	III	IV	I	II	III 1/
	Billion dollars	Billion dollars	Billion dollars	Billion dollars	Billion dollars
Personal disposable income	288.8	294.0	295.5	299.9	303.0
Consumer expenditures for					
goods and services	268.6	272.3	276.7	278.9	283.2
Durable goods	33.0	34.8	35.9	35.0	34.7
Automobiles and parts	13.7	15.3	16.3	15.5	n.a.
Furniture and household					
equipment	14.7	14.9	14.9	14.9	n.a.
Nondurable goods	134.4	135.3	137.3	139.1	142.5
Food and beverages	81.3	82.1	83.7	85.0	n.a.
Clothing and shoes	22.3	22.2	21.9	22.0	n.a.
Other	30.9	31.0	31.7	32.1	n.a.
Services	101.1	102.2	103.4	104.9	106.0
Personal saving	20.3	21.7	18.9	21.0	19.8
Savings as a percent of					
disposable income	7.0	7.4	6.4	7.0	6.5

1/ Preliminary estimates of the Council of Economic Advisors.

n.a. Not available.

Department of Commerce except as noted.

Retail Sales

The dollar volume of retail sales in July-September 1957 were about 6 percent higher than a year earlier reflecting higher incomes. Sales by non-durable goods stores were up $6\frac{1}{2}$ percent while those of durable goods stores were up 5 percent in the same period. Among nondurable goods, sales by drug and proprietary stores, gasoline service stations and food store sales registered above average gains. Sales by the automotive group, among the durable goods, were well above a year earlier, as sales of new cars continued to run ahead of last year.

Table 2.- Retail sales and inventories, third quarter 1956 to third quarter 1957, monthly averages, seasonally adjusted

Item	Unit	1956		1957		
		III	IV	I	II	III
Total:						
Sales	Mil. dol.	15,946	16,149	16,316	16,621	16,930
Inventories	Mil. dol.	23,660	23,557	23,873	23,903	24,280
Stock-sales ratio	Ratio	1.48	1.46	1.46	1.44	1.43
Durable:						
Sales	Mil. dol.	5,461	5,656	5,713	5,738	5,739
Inventories	Mil. dol.	10,460	10,403	10,763	10,710	11,043
Stock-sales ratio	Ratio	1.92	1.84	1.88	1.87	1.92
Nondurable:						
Sales	Mil. dol.	10,485	10,493	10,603	10,883	11,191
Inventories	Mil. dol.	13,200	13,153	13,110	13,193	13,237
Stock-sale ratio	Ratio	1.26	1.25	1.24	1.21	1.18

Department of Commerce.

Government Expenditures Up From 1956

Government purchases which make up nearly a fifth of total spending for goods and services, were at an annual rate of 87.2 billion dollars in July-September 1957, up $6\frac{1}{2}$ billion or 8 percent from a year earlier. Federal purchases of goods and services accounted for more than half of the gain. Practically all the increase occurred in national security expenditures, mainly for procurement for the Armed Services. However, defense outlays in the third quarter are down slightly from the second quarter.

Spending by State and local Governments, which account for about 40 percent of the total, continued the trend of recent years and increased 3 billion dollars from a year earlier. Larger wage and salary payments as well as increased outlays for schools, roads, hospitals and other facilities accounted for the rise in State and local Government spending. By the end of September, total public construction outlays were up 10 percent from the same period in 1956.

The upward trend of State and local Government purchases is likely to continue in 1958. Some further increases in employment are expected with higher average salary rates than in 1956. A further expansion in outlays for construction of schools, highways, water and sewer systems is expected in 1958.

Table 3.--Government expenditures for goods and services, third quarter 1956 to third quarter 1957, seasonally adjusted annual rates

Item	1956		1957		
	III	IV	I	II	III
					1/
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Government purchases of goods:					
and services 2/	80.6	82.8	85.6	86.9	87.2
Federal 2/	47.3	49.0	50.3	51.1	50.8
National security	42.7	44.2	45.5	46.3	46.0
Other	4.9	5.1	5.2	5.2	5.2
State and local	33.3	33.9	35.3	35.8	36.4

1/ Preliminary estimates of Council of Economic Advisers. 2/ Less Government sales.

Department of Commerce except as noted.

Investment Spending Levels Off

Private investment, which advanced rapidly in 1955 and 1956, has leveled out in 1957. In the third quarter this year, private domestic investment totaled 65.5 billion dollars, the same as a year earlier. Total private spending for new construction declined slightly during the past year due to a smaller volume of residential building. Other types of new construction, however, increased during 1957, due mainly to higher spending for

office buildings and warehouses, public utilities and building for private institutions. Producers' durable equipment expenditures have continued to advance as businessmen have added to productive capacity. Investment in additional inventory in the first nine months of 1957 has been small and much less than in 1956 when the value of inventories increased 5 billion dollars. During the first nine months of 1957 the extraordinary demand for U. S. exports, which was not matched by a proportional rise in imports, brought net foreign investment to a near record rate. In part the rise in exports stemmed from the expansion in private foreign investment, and larger exports resulting from the Suez crisis.

Business investment in new plant and equipment is expected to total 37 billion dollars in 1957, almost 6 percent above 1956. Increases are indicated for manufacturing, railroads and public utilities with little change expected in mining and nonrail transportation. A decline is indicated for the commercial group which includes trade and service industries. Large increases from 1956 are reported for steel, nonferrous metals and transportation equipment. The primary aluminum capacity by the end of 1958 will be one-fourth larger than in 1955. A scheduled 15 million ton steel expansion program is well underway with 5 million tons added in 1956 and $7\frac{1}{2}$ million in 1957. The machinery groups are showing continued expansion in capital outlays this year while motor vehicles have declined 30 percent.

Among the nondurable industries, gains are expected for chemicals. Oil companies are also expanding capital facilities more than in 1956, but there are signs of leveling in the last half of the year. Public utilities have shown larger gains in capital outlays this year over last--up nearly a fourth--than any other industry group. Early this year, trade sources indicated private power companies would add more than 7 million kilowatts of new capacity in 1957 and almost 14 million additional in 1958. Railroad capital expenditures are also larger than in 1956, but there is some evidence that they are edging down from peak rates. Low net incomes for railroads in recent quarters may adversely effect capital expenditures. Order backlogs for freight cars are lower than a year ago.

For the rest of 1957 the level of plant and equipment spending is expected to remain at the record 37.2 billion dollars annual rate of the July-September quarter. The small decline projected for durable manufacturing and mining may indicate that the present excess of productive capacity in many firms is influencing capital expansion programs.

A recent survey of capital appropriations of manufacturing corporations by the National Industrial Conference Board indicates that in the opening months of 1958 a moderate decline in expenditures of larger manufacturing corporations is likely. Public utilities are expected to continue to expand into 1958.

Table 4.--Investment expenditures, third quarter 1956 to third quarter 1957,
seasonally adjusted annual rates

Item	1956		1957		
	III	IV	I	II	III 1/
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross private domestic investment	65.5	68.5	62.7	65.0	65.5
New construction	33.2	33.4	32.8	32.7	33.0
Residential nonfarm	15.1	15.1	14.4	13.9	14.0
Other	18.1	18.4	18.5	18.9	19.0
Producers' durable equipment	29.0	29.9	30.7	30.5	30.5
Change in business inventories	3.3	5.1	- .8	1.7	2.0
Net foreign investment	2.0	2.4	4.1	3.5	3.2

1/ Preliminary estimates of the Council of Economic Advisers.
Department of Commerce except as noted.

Inventories

During 1955 and 1956 businessmen made substantial additions to their inventories as economic activity expanded rapidly. During the first 9 months of 1957 inventories accumulated at a much slower rate than in the past two years, restrained by a slight reduction in production and generally tight credit policies. Most accumulation was concentrated in manufacturing. The general decline in new orders of manufacturers and in order backlogs have also restrained inventory accumulation.

Although retail sales are well above year-ago levels, inventories have risen only slightly and the inventory-sales ratio declined during 1957. Retail and wholesale trade inventories are relatively low compared with the current levels of sales. However, no big changes in inventories are in prospect.

Construction Outlays at Record

Total construction outlays in the first 10 months of 1957 totaled 39.1 billion dollars, up 2 percent from the same period in 1956. Private outlays through October totaled 27.6 billion dollars, down slightly from a year earlier, while public outlays so far this year are running 5 percent higher than last year.

Private residential housing outlays declined from the summer of 1955 to a low in May and have increased a little since. In October residential building outlays, seasonally adjusted, were 1,414 million dollars, down 3 percent from a year earlier; they were 10 percent lower in May than in May 1956.

Housing starts were at an annual rate of 1,398,000 units in May 1955. They declined steadily until March 1957 when a low of 933,000 was reached. Since March housing starts have stabilized and in the third quarter this year averaged more than 990,000 units. While the number of starts in the first 9 months of 1957 is the lowest since 1949, declines from year-earlier levels have narrowed steadily from 16 percent early in 1957 to 10 percent at the end of the third quarter.

Although industrial construction has trended downward in the first 10 months of this year, it was 5 percent above the same period a year earlier. Construction of office buildings, warehouses, stores and other commercial buildings has tended to level out in recent months. Outlays of public utilities continue to show a strong uptrend, and in October they were 16-1/2 percent above a year earlier.

Construction activity is expected to continue strong into 1958. Residential construction has increased a little in recent months, and some further rise in housing starts is in prospect for coming months. Mortgage funds available for housing are expected to increase as the demand for investment funds slackens. The number of families may increase by 850,000 and there will be some replacement of dilapidated existing dwellings and of conversions to other uses. Industrial construction will probably continue to trend downward, while outlays for commercial buildings, as well as private hospitals, churches and other buildings are expected to continue strong. A further expansion of public utility facilities is expected.

Table 5.- New construction put in place: seasonally adjusted monthly average by type of construction, by quarters, 1956 and 1957

Type	1956		1957		
	III	IV	I	II	III
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Total new construction	3,864	3,896	3,888	3,895	3,914
Private construction	2,779	2,800	2,733	2,740	2,769
Residential buildings (nonfarm)	1,463	1,460	1,395	1,335	1,373
Nonresidential buildings	748	759	753	778	758
Industrial	275	270	269	276	263
Commercial	296	302	289	301	296
Farm construction	130	130	131	133	133
Public utilities	426	440	440	477	489
Public construction	1,085	1,096	1,156	1,155	1,144
Nonresidential buildings	347	360	363	378	368
Military facilities	121	114	108	101	111
Highways	368	364	427	405	377
Sewer and water systems	110	114	114	112	112

Departments of Commerce and Labor.

Industrial Output and Employment

Industrial output as measured by the Federal Reserve Board's index of industrial production is at a slightly lower level than the December 1956 peak of 147 (1947-49=100). In September the index was 144, the same as a year earlier but 2 percent below December. Most of the recent reduction in output occurred in durable manufacturing, which employs about 18 percent of all nonagricultural workers. Small declines in output were reported for minerals, while production of nondurable goods in September was $1\frac{1}{2}$ percent higher than in December 1956.

Among the durable goods industries, steel production has been declining since the last quarter of 1956. Steel mills were operating at nearly a hundred percent of rated capacity in January and February. By July the rate had declined to 79 percent of capacity; in mid-October the operating rate was at 81 percent. Output of primary metals in September was down 9 percent from a year earlier. Machinery output in September was down 4 percent from a year earlier, while instruments were slightly higher. The important metal fabricating group as a whole was the same as a year earlier but 3 percent below January. Output of stone, clay and glass products in September was 2 percent above a year earlier, while furniture and fixtures were the same.

Among the consumer durables, automobile production was down nearly a fourth from the peak of the year last January. In the first nine months 4.6 million passenger cars were produced, 9 percent more than in the same period a year earlier. Production of radio and television sets is 7 percent above a year ago while furniture and floor coverings are the same and appliances are down almost 10 percent.

Production of most nondurable goods has been running above a year earlier. Food, beverage and tobacco in September was almost 1 percent higher than in 1956. Petroleum and coal, chemical output, and the paper and printing group were $3\frac{1}{2}$ percent higher. Rubber and leather products after declining early in 1957 have recovered since June. In September they were $2\frac{1}{2}$ percent above the same date in 1956.

Manufacturers' sales declined through the spring, recovered during July and slipped back during August and September. Sales of both durable and nondurable goods industries in September were both down 6 percent from January. Through August the largest declines occurred in primary metals, lumber and furniture, transportation equipment, petroleum and coal and textiles. Rubber products were the only group registering gains from January.

Table 6.- Index of industrial production by major industrial groups,
third quarter 1956 to third quarter 1957, seasonally adjusted
(1947-49=100)

Group	1956		1957		
	III	IV	I	II	III
Industrial production	141	146	146	143	144
Total manufactures	143	148	147	145	146
Durable manufactures	156	165	163	160	161
Primary metals	114	146	141	133	134
Metal fabricating	172	180	180	176	176
Clay, glass and lumber	142	137	133	136	136
Furniture and miscellaneous	136	135	130	132	135
Consumer durable goods total	126	132	136	126	130
Major consumer durables	131	142	147	133	137
Autos	117	146	165	141	136
Other consumer durables	113	111	113	108	113
Nondurable manufactures	129	130	131	130	131
Textiles and apparel	107	107	105	105	105
Rubber and leather products	115	116	123	116	118
Paper and printing	146	147	147	148	149
Chemicals and petroleum products	166	168	172	172	173
Food, beverages and tobacco	112	113	112	111	114
Minerals	128	130	131	129	129

Federal Reserve Board.

New orders placed with manufacturers in September were about the same as a year earlier but 7 percent below January. Most of the decline has occurred in durable goods industries, particularly transportation equipment and primary metals. In recent months new orders have dropped below sales and unfilled orders of manufacturers have declined. Unfilled orders of durable manufactures in September totaled 53.4 billion dollars, down 12 percent from the same month in 1956. Order backlogs represent about 3.9 months deliveries, compared with 4.5 months a year earlier.

Manufacturers' inventories in September at 54.1 billion dollars were slightly below August, but book values were up 6-1/2 percent from a year earlier. Durable goods inventories accounted for almost three-fourths of the gain with large increases for aircraft and other transportation equipment, nonelectrical machinery and primary metals. Inventories of nondurable goods at the end of September were up 4-1/2 percent from September 1956. Most of the gain was in petroleum and coal and chemical industries. With stocks up more than deliveries, the ratio of inventories to sales has increased for both durable and nondurable goods during the past year.

Table 7.--Manufacturers' sales, inventories and production, third quarter 1956 to third quarter 1957, seasonally adjusted

Item	Unit	1956		1957		
		III	IV	I	II	III
Total:						
Deliveries <u>1/</u>	Mil. dol.	27,186	28,674	29,305	28,479	28,600
Inventories	Mil. dol.	50,419	52,085	52,895	53,808	54,131
Stock-sales ratio	Ratio	1.85	1.82	1.80	1.89	1.89
New orders	Mil. dol.	28,515	29,249	28,547	27,809	27,125
Order backlogs <u>2/</u>	Mil. dol.	63,351	63,478	63,653	61,085	58,785
Production	:1947-49=100:	141	146	146	143	144
Durable:						
Deliveries <u>1/</u>	Mil. dol.	13,398	14,404	14,649	14,252	14,324
Inventories	Mil. dol.	29,192	30,513	30,926	31,489	31,699
Stock-sales ratio	Ratio	2.18	2.12	2.11	2.21	2.21
New orders	Mil. dol.	14,824	14,877	14,044	13,533	12,968
Order backlogs <u>2/</u>	Mil. dol.	60,125	60,328	60,710	58,041	54,795
Production	:1947-49=100:	156	165	163	160	161
Nondurable:						
Deliveries <u>1/</u>	Mil. dol.	13,789	14,270	14,656	14,227	14,286
Inventories	Mil. dol.	21,227	21,572	21,970	22,320	22,432
Stock-sales ratio	Ratio	1.54	1.51	1.50	1.57	1.57
New orders	Mil. dol.	13,691	14,372	14,503	14,277	14,190
Order backlogs <u>2/</u>	Mil. dol.	3,226	3,151	2,943	3,044	3,014
Production	:1947-49=100:	129	130	131	130	131

1/ Monthly rate.2/ Unadjusted.

Department of Commerce and Federal Reserve Board.

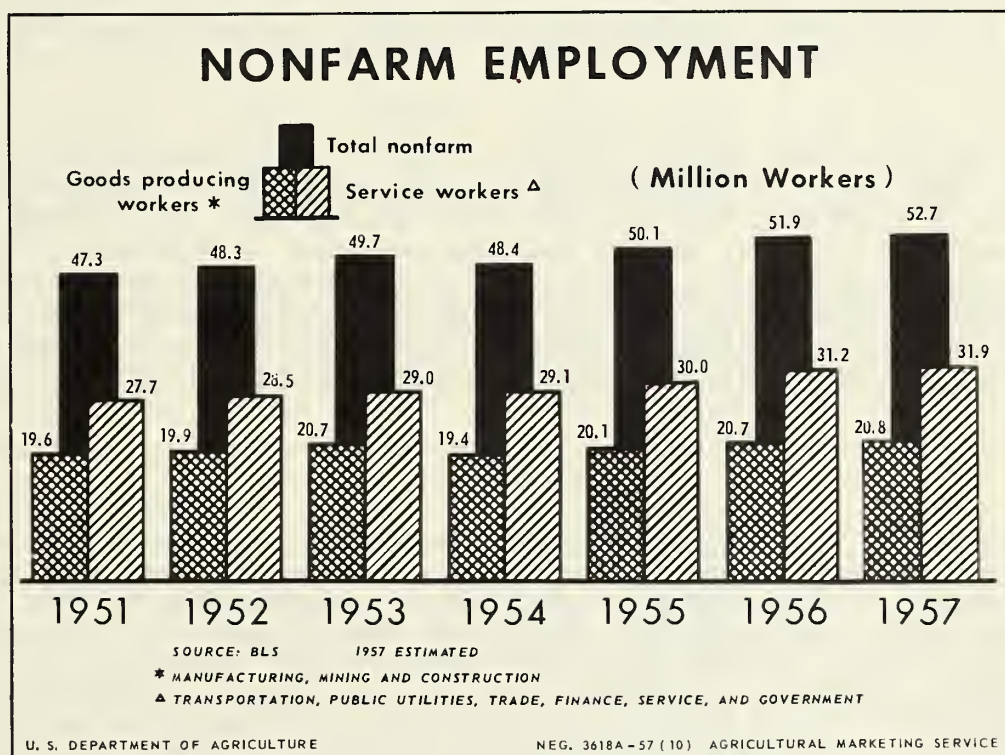
Labor Force and Employment Growth Tapers Off

In September the labor force totaled 71.0 million workers, up less than 200,000 from a year earlier. The growth in the labor force for 1957 as a whole is substantially less than the 1.5 million increase from 1955 to 1956. The relatively small gain this year was among the younger workers, women and older men.

Employment in September totaled 65.7 million, down over 100,000 from a year earlier. A substantial decline of over 800,000 workers in agriculture was nearly offset by a gain of about 700,000 in employment in nonagricultural

industries. Employment in September in both durable and nondurable manufacturing and in contract construction was down from a year earlier while it was higher in mining, trade, transportation, public utilities, finance, service and Government.

Unemployment has changed little in 1957, averaging since the spring of 1955 between 4 and $4\frac{1}{2}$ percent of the civilian labor force. Not only has unemployment been relatively stable but the duration of layoffs has been short for most people. In September about half of the unemployed had been seeking jobs for less than 4 weeks.



Prices Above A Year Ago

Wholesale and retail prices have advanced $6\frac{1}{2}$ and $5\frac{1}{2}$ percent respectively, since the summer of 1955. Wholesale prices in September averaged 118.0 percent of the 1947-49 base, 2 percent higher than September 1956 while urban consumer prices were up $3\frac{1}{2}$ percent in the same period. Consumer prices have advanced steadily during the past year. Wholesale prices advanced between September 1956 and February 1957, held approximately stable until May, then rose sharply from June to August reflecting increases in prices in several basic industries, followed by a slight decline in September.

Wholesale prices of farm products in September were 1 percent higher than a year earlier and processed food prices were up more than 2 percent. Industrial prices have advanced generally during the past year and in September they averaged more than 2 percent above a year earlier. Substantial advances in prices occurred in metal and metal products, machinery, petroleum and coal while declines occurred in lumber and some other products used in homebuilding.

Prices of consumer goods in urban areas have been advancing steadily during the past year. In September food prices, an important component of the index, were up $3\frac{1}{2}$ percent over the same month a year ago. With higher prices for meat animals, the meat, poultry and fish group was up 9 percent. The index of housing costs was up 3 percent with above average increase in fuels. The transportation index was 6 percent higher reflecting higher prices and operating costs of automobiles as well as higher fares of public transportation. Costs of medical care, personal care and recreation were up around 4 percent.

FOREIGN DEMAND

U. S. non-military exports reached a record 19.2 billion dollars in 1956-57 after increasing steadily during the past 4 years. This rise contributed importantly to the growth in total output and employment in this country. The rise in exports was associated with a continued expansion of foreign economies, and more recently with large-scale U. S. foreign investment, the special programs designed to move surplus agricultural commodities and emergency and speculative foreign purchases growing out of the Suez crisis. The growth in foreign industrial production increased our exports of industrial raw materials--notably chemicals, coal and nonferrous metals. Programs of industrialization in underdeveloped countries and U. S. direct investment abroad fostered exports of industrial machinery and other capital equipment. The economic expansion in Western Europe and Japan also stimulated U. S. agricultural exports, while special export programs were increasingly used to meet the needs of developing countries for food and fiber.

The 3.6 billion dollar rise in United States exports from 1955-1956 to 1956-57 was accompanied by only a small rise in imports. Compared with a year earlier, the foreign trade deficit with the United States more than doubled: U. S. exports of goods and services exceeded such imports by $5\frac{1}{2}$ billion dollars.

Table 8.- Indexes of wholesale and consumer prices, by groups, 1955, 1956 and July-September, 1956 and 1957

Year and Month	Wholesale prices				Consumer prices			
	All Commodities	Farm	Processed food	All other (indus- trial)	All items	Food	Rent	Apparel
1955	110.7	89.6	101.7	117.0	114.5	110.9	130.3	103.7
1956	114.3	88.4	101.7	122.2	116.2	111.7	132.7	105.5
July	114.0	90.0	102.2	121.4	117.0	114.8	133.2	105.3
August	114.7	89.1	102.6	122.5	116.8	113.1	133.2	105.5
September	115.5	90.1	104.0	123.1	117.1	113.1	133.4	106.5
Average	114.7	89.7	102.9	122.3	117.0	113.7	133.3	105.8
1957								
July	118.2	92.8	107.2	125.7	120.8	117.4	135.2	106.5
August	118.4	93.0	106.8	126.0	121.0	117.9	135.4	106.6
September	118.0	91.1	106.5	125.9	121.1	117.0	135.7	107.3
Average	118.2	92.3	106.8	125.9	121.0	117.4	135.4	106.8

Department of Labor

Unrecorded transactions, mainly the movement of foreign capital to this country, added another billion dollars to foreign payments. Net foreign receipts from United States economic aid grants remained unchanged. On the other hand, foreign receipts were swelled by a 2.1 billion dollar rise in U. S. private foreign investments, and a 300 million dollar increase in U. S. Government loans. Total foreign receipts from the United States reached a record 27 billion dollars, but exceeded payments to this country by only 300 million dollars. This foreign surplus compares with 1.8 billion the year before (table 9). Furthermore the net foreign surplus in 1956-57 masks the net decline in gold and short term dollar holdings of 700 million, including the sale of 860 million dollars worth of gold to the United States.

As a result the growth in foreign gold and dollar reserves came to a halt this year. Substantial losses in foreign exchange by a number of countries resulted from the aftermath of the Suez crisis, an inflationary

demand for consumer goods, coupled with the investment demand for imports of industrial materials. These losses encouraged speculation as to currency revaluation, and the exchange of weaker currencies for stronger ones caused further shifts in reserves. Notably, the pound sterling and franc weakened relative to the Deutschemmark and dollar. The International Monetary Fund made available nearly one billion dollars to help buttress foreign reserves, 560 million to the United Kingdom alone. The year 1956-57 ended with a net loss of 67 million in the combined gold and dollar holdings of foreign countries and international agencies. The loss of 700 million in such assets through transactions with the United States more than offset 600 odd million acquired from new gold production and hoards. Only a small number of countries added to their reserves during the year: Western Germany, Canada, and Venezuela showed substantial improvement. Severe losses were suffered despite

Table 9.- Foreign transactions with the United States, 1955-56, 1956-57 ^{1/}

Item	Year ending June 30			Change
	1955-56	1956-57		
	Billion dollars	Billion dollars	Billion dollars	
<u>Payments to the United States</u>				
For U. S. merchandise	15.6	19.2	3.6	
For U. S. services	6.0	6.5	.5	
Other ^{2/}	.3	1.2	.9	
Total	21.9	26.9	5.0	
<u>Receipts from the United States</u>				
For foreign merchandise	12.4	13.0	.6	
U. S. military expenditures abroad	2.9	3.0	.1	
For other foreign services	3.9	4.2	.3	
U. S. foreign aid grants	1.7	1.7	---	
U. S. Government loans	.4	.7	.3	
U. S. private capital outflow	1.8	3.9	2.1	
Total, including other ^{3/}	23.7	27.2	3.5	
<u>Net increase in foreign assets ^{4/}</u>	1.8	.3	-1.5	
Gold and short term dollar holdings	1.4	-.7	-2.1	
Long-term U. S. Government securities	^{5/}	.2	.2	
Other foreign assets in the U. S.	.4	.8	.4	

^{1/} Excludes military aid grants and exports financed thereby. Trade data adjusted for balance of payments purposes. Data for 1956-57 preliminary.

^{2/} Unrecorded transactions, errors and omissions.

^{3/} Includes private remittances, government pensions and other transfers.

^{4/} Represents excess of foreign receipts over payments.

^{5/} Less than 50 million dollars.

Fund assistance by France and the Benelux countries, and by Japan. With its drawing from the Fund, the United Kingdom showed a small surplus (table 10). The data on gold and dollars excludes substantial changes in countries whose reserves are largely in sterling. For instance India's foreign exchange reserves were reduced by the equivalent of 500 million dollars during the year while Australia gained an equivalent amount; Japan's dollar losses were compounded by an additional loss of nearly 200 million dollars in sterling.

Faced with a deterioration in their balance of payments, a number of countries adopted or tightened measures aimed at curbing inflation and adjusting their foreign trade balance. France, and some smaller countries resorted to devaluation. Furthermore, at the late September meeting of the International Bank and Monetary Fund, the British, German and other European finance ministers made statements designed to reverse speculative capital movements. These various measures have strengthened the pound sterling, reduced the Japanese import surplus, and stemmed the increase in United States exports. Substantial further improvements will be needed to restore a measure of equilibrium in the payments position of many major trading countries and to repay obligations incurred during the past year. A return of flight capital from the dollar area and from Germany could do much to adjust the lopsided gold and dollar position of some foreign countries and to restore the assets of the International Monetary Fund. In addition, part of last year's foreign expenditures for surplus U. S. agricultural commodities will result in subsequent disbursement (mainly as loans) of the foreign currencies received. Together with Export-Import Bank credit approvals, undisbursed U. S. loan commitments at the end of June 1957 totaled 2.5 billion dollars. Nevertheless, a reduction in the U. S. export surplus also seems indicated. Part of this will come from reduced need for U. S. petroleum now that the mid-Eastern pipelines are again in operation. Direct exports from this country may also decline as U. S. owned factories abroad come into operation--as is already the case with farm machinery. Agricultural exports will probably fall below the record level of 1956-57, largely as a result of an improved foreign supply situation.

The efforts of foreign countries to reduce dollar expenditures will affect both agricultural and nonagricultural exports from the United States. Any reductions in exports of farm products for dollars would probably be concentrated in the industrial countries of Western Europe and in Japan, as exports to most underdeveloped countries take place largely under the special export programs which do not require payment in dollars.

Agricultural Exports

Agricultural exports reached a record 4.7 billion dollars in 1956-57, an increase of 1.2 billion or 35 percent above the previous year. Spurred by record sales of cotton, wheat and rice, the volume of exports rose 40 percent. Agricultural commodities thus accounted for one-third of the 3.6 billion dollars overall export rise.

Table 10.--Estimated foreign gold and short-term dollar holdings 1/
June 30, 1957

Area <u>2/</u>	Holdings June 30, 1957	Change from Dec. 31, 1956	Change from June 30, 1956
	Million dollars	Million dollars	Million dollars
Canada	2,704	75	310
Continental Western Europe			
Benelux	2,131	-67	-235
France	3,996	-509	-757
Western Germany	3,719	390	977
Other	7,234	255	451
Total	14,080	-31	436
Sterling area			
United Kingdom	2,988	73	30
Other	1,029	10	4
Total	4,017	83	34
Latin American Republics			
Venezuela	1,442	389	708
Other	3,043	-12	-187
Total	4,485	377	524
Independent countries in Asia and Africa			
Japan	754	-391	-413
Other	2,035	29	72
Total	2,789	-362	-341
Total foreign countries	28,075	137	963
International institutions	2,720	-424	-1,030
Total above	30,795	-287	-67

1/ Reported and estimated official gold reserves; official and private deposits and U. S. government obligations with original maturities of not more than one year reported by banking institutions in the United States; and, certain other liquid assets.

2/ Includes dependencies of Western Europe and Sterling area; excludes Soviet bloc.

3/ Excludes \$286 million of gold loaned by Bank of France to the French Exchange Stabilization Fund on June 26, 1957.

Table 11.- United States Agricultural Exports, total and under special programs, years ending June 30, 1956 and 1957 ^{1/}

Type of financing	Wheat and flour	Coarse grains ^{2/}	Rice milled	Cotton	Tobacco	Fats and oils ^{3/}	Dairy products	Total, including all other
	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.	Mil.dol.
Foreign currency sales and grants								
1955-56	310	64	45	202	55	134	205	1,056
1956-57	288	105	132	323	35	171	176	1,532
Barter								
1955-56	118	167	4/	5	---	5	---	299
1956-57	139	121	2	127	---	2	4/	401
Dollar loans and Credits								
1955-56	---	---	---	61	4/	---	---	61
1956-57	1	---	---	64	1	---	4/	69
Total under special programs ^{5/}								
1955-56	428	231	45	268	55	139	205	1,416
1956-57	655	226	134	514	36	173	176	2,002
Other exports for dollars								
1955-56	165	169	42	104	322	445	91	2,078
1956-57	303	135	53	601	300	459	66	2,722
Total agricultural exports								
1955-56	593	400	87	372	377	584	296	3,494
1956-57	958	361	187	1,115	336	632	242	4,724
Percent under special programs:								
1955-56	72	58	52	72	15	24	69	41
1956-57	68	63	72	46	10	27	73	42

^{1/} Data on special programs is based on reported shipments under Public Law 480, expenditures under The Mutual Security Act, and disbursements under Export-Import Bank and CCC credits. Because of differences in reporting periods, exports under the special programs are not strictly comparable with official export statistics. Data for total agricultural exports include estimated value of donations under Section 416 of the Agricultural Act of 1949 (Sec. 302, Title III P. L. 480) which are not identified by name in the official trade reports. ^{2/} Corn and meal, barley and malt, oats and oatmeal and grain sorghums. ^{3/} Lard, tallow, soybeans, cottonseed, flaxseed, peanuts and oils expressed therefrom. ^{4/} Less than .5. ^{5/} Excludes CCC export sales and sales under the International Wheat Agreement, unless exported under the special programs.

Foreign Agricultural Service.

Special factors, assisted by CCC sales at competitive world prices accounted for part of the export rise. In the case of cotton, exports of which increased from 2.2 million to 7.6 million bales, foreign stocks had been run down in anticipation of lower U. S. prices under the export sales program. Wheat and flour exports rose from 343 million to 549 million bushels, spurred by the poor European crop. Rice exports rose as accumulated foreign stocks were disposed. Generally, however, larger exports are due to increased consumption abroad, made possible in part by the expanded use of special export programs. Exports under the special programs increased in 1956-57 and accounted for about two-fifths of total farm exports, about the same as in 1955-56 (table 11).

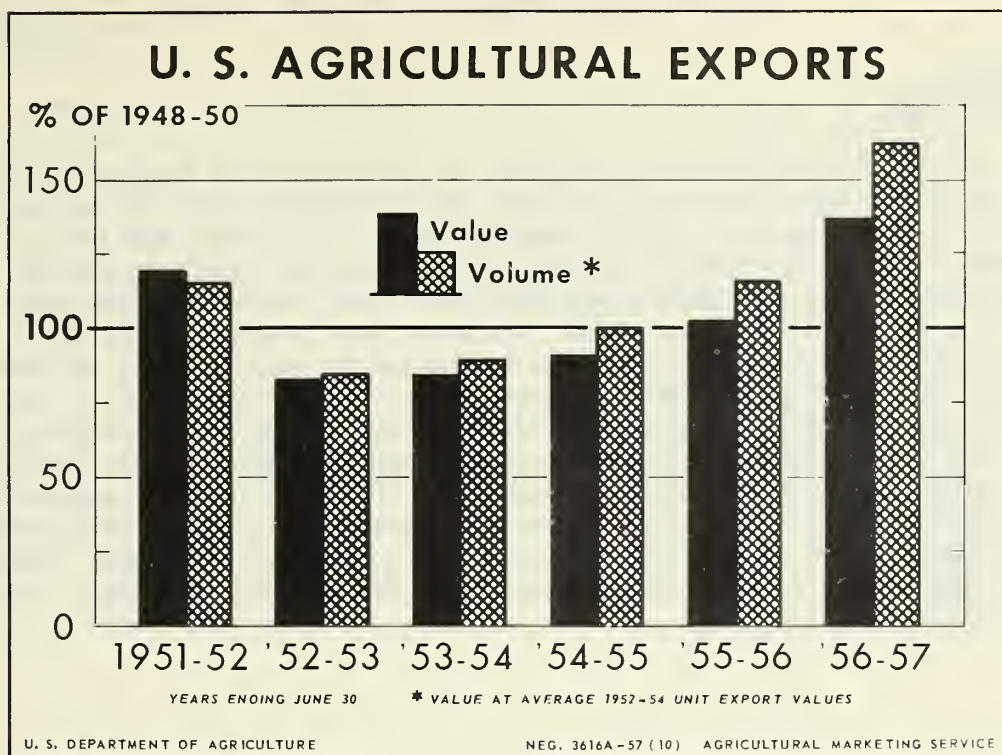
Based on the foreign supply situation (production and stocks) and the measures taken to reduce dollar expenditures, agricultural exports during 1957-58 may total about 4 billion dollars, 15 percent below 1956-57. Funds and authority are available to maintain shipments under the special export programs at about the level of last year. Reduced exports under barter may be offset by expanded use of the CCC export credit program, and larger Export-Import Bank disbursements. The outlook by commodities for the fiscal year ending June 30, 1958 is as follows:

Cotton exports may total between 5 million and 6 million bales compared with 7.6 million during 1956-57. Foreign free world production is up slightly as is foreign free world consumption. Foreign stocks of cotton are expected to decline slightly compared with an increase of close to 2 million bales during the preceding season.

Assuming substantial movements under export programs from U. S. surplus stocks, wheat and flour exports of about 400 million bushels (wheat equivalent) appear likely. This is below the 550 million exported last year, but well above the postwar average. Production in most foreign exporting and importing countries (with the notable exceptions of Canada and Australia) is considerably above last year when crops were poor in Western Europe.

Rice exports will be higher than in most recent years though substantially below the record 26 million bags (milled basis) exported largely from accumulated stocks during 1956-57.

Feedgrains. Expanded use of export programs may raise total exports in 1957-58. Last year we exported about 7 million short tons. Exports this year may be 1 to 1½ million tons higher. Such exports will not loom large against the nearly 50 million ton domestic carry-over.



Feedgrains - Foreign production of corn, barley and oats combined is down about 5 percent or 11 million tons. Demand in Western Europe will be larger than last year when much low-grade wheat was fed and late rains caused increased plantings of barley on wheat acreage. A poor corn crop in Mexico and Argentina will increase demand in the Western Hemisphere.

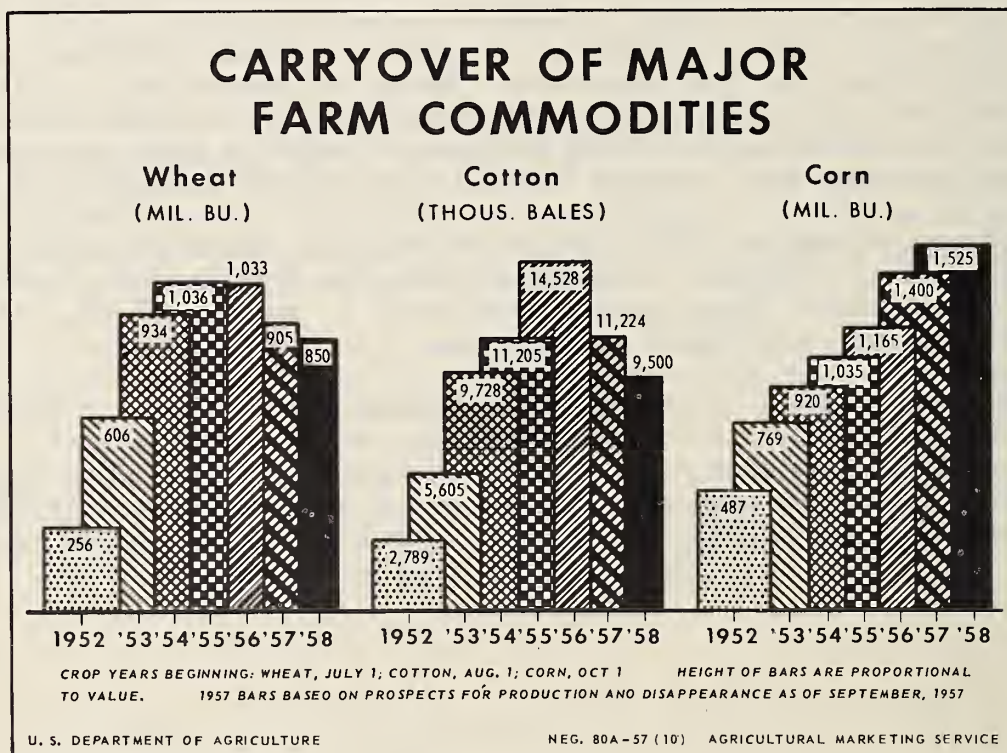
Tobacco exports in 1957-58 may be somewhat below the 501 million pounds exported in 1956-57. A reduction would stem from expanding foreign production, relatively large imports from the U. S. during 1955-56, efforts to conserve dollars, and higher U. S. prices.

Fats and oils - A continued strong foreign demand for U. S. fats and oils may be anticipated. Although foreign free world output of most oilseeds will be above last year, exports of soybeans from Mainland China may decline. Exports should about equal the 4.8 billion pounds (oil equivalent basis) exported in 1956-57. However, prices may average below last year.

AGRICULTURAL PRICES AND INCOME

Farm Supplies
Continue Large

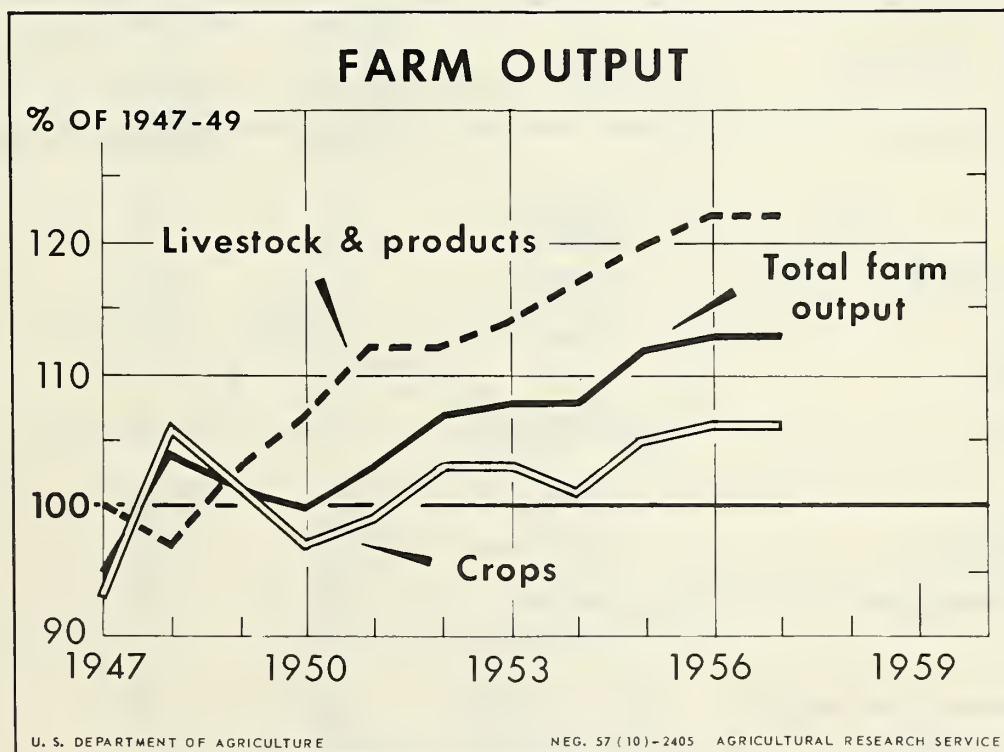
Agricultural production this year, much of which is marketed in 1958 is expected to about equal the 1956 record. In addition, carryover stocks from earlier years are large and may be reduced only a little in the 1957-58 marketing year. Stocks of cotton last August totaled 11.2 million bales, a cut of 3.3 million during the past marketing year; they may be worked down further by next August 1. The wheat carryover was lowered by nearly a 100 million bushels to 905 million bushels by last July and may drop another 50 million or 60 million bushels in the 1957-58 marketing year. On the other hand, about 235 million bushels were added to the large corn carryover, bringing stocks in October to 1,357 million bushels. Some further build up is expected in the 1957-58 feeding year. Commodity Credit Corporation investment in price support loans and inventories on August 31, 1957 totaled 6.7 billion dollars, down over 1 billion dollars from a year earlier. There is little chance of any substantial reduction in the overall surplus situation in the 1958-59 marketing year.



Indicated 1957 Output At Record

Combined output of crops and livestock this year was indicated in early October at about last year's record output of 113 percent of the 1947-49 average. Production of livestock and products will total about the same as in 1956, more than a fifth above the 1947-49 average. Production of beef may be down slightly while pork output will be down about 5 percent. Production of poultry meat will be up about 5 percent and output of eggs will be about the same. Dairy products will be up slightly from last year.

Total crop output is indicated at about last year's output of 106 percent of the 1947-49 level. This was a record equaled only in 1948. Reduced output of food grains, cotton, oilseeds, tobacco and vegetables will probably be about offset by increases for sugar crops, feed grains, and hay and forage. The hay crop is a record. Smaller acreage allotments and Soil Bank participation reduced total land planted to crops this year by about 3 percent from 1956 but yields on the average are up from last year by nearly 5 percent. Barring extensive drought, farm output in 1958, could equal or exceed this year's production.



Farm Product Prices
Up This Year

Prices received by farmers so far this year have averaged 3 percent above last year and will probably be about that much higher for the year as a whole. Most of the gain has been in livestock prices. Smaller marketings have been reflected in substantially higher prices for hogs, and improved range conditions have been a factor in stronger demand for feeders and generally higher cattle prices. Prices of feed grains, however, are well below a year earlier as a result of this year's large crops of feed grains which add further to the already surplus feed supply.

The improved level of farm prices is expected to continue into 1958. Somewhat lower prices for 1958 crop wheat are indicated, reflecting a large crop and a lower price support level. With increased production underway, hog prices also are expected to average lower. Cattle numbers are declining and a somewhat smaller slaughter would result in further price improvement for beef cattle in 1958. Smaller supplies of eggs and prices higher than a year earlier are indicated for at least the first half of 1958.

Table 12.--Prices received by farmers for specified commodities, third quarter 1956 and 1957, with percentage change

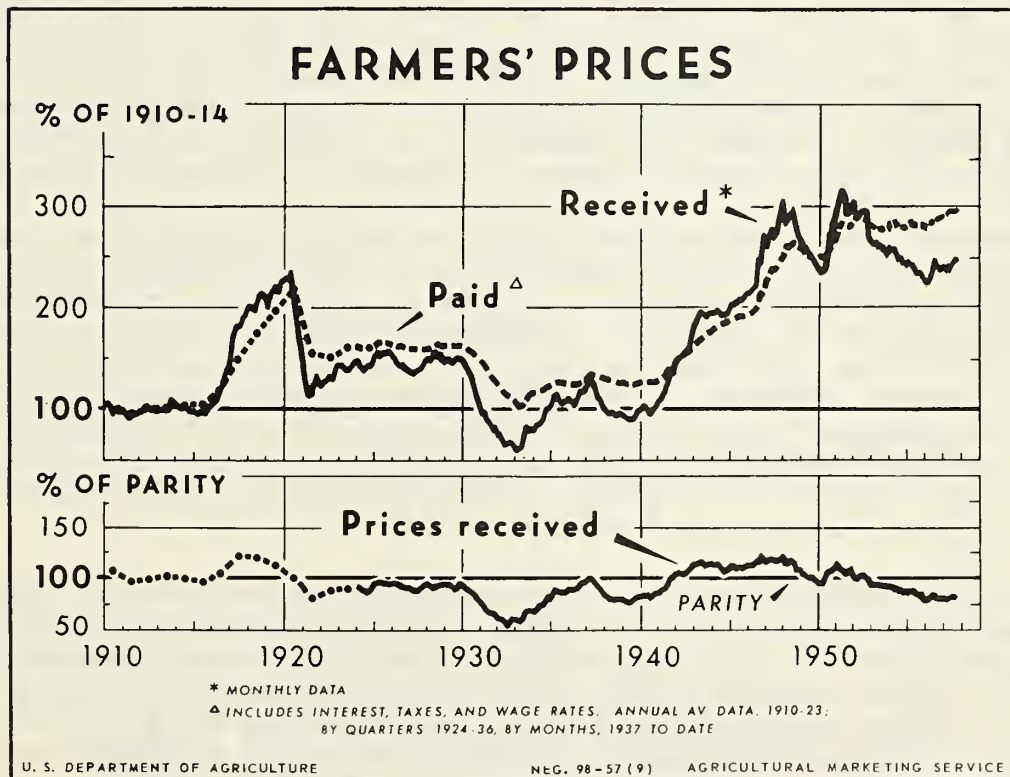
Commodity	Unit	Average third quarter 1956 Dollars	Average third quarter 1957 Dollars	Percentage change Percent
Wheat	Bushels	1.93	1.90	- 2
Corn	Bushels	1.44	1.20	- 17
Cotton, upland	Pounds	.320	.327	2
Soybeans	Bushels	2.29	2.21	- 3
Potatoes	Cwt.	3.14	1.69	- 46
Oranges <u>1/</u>	Box	2.04	1.98	- 3
All crops	1910-14=100	240	233	- 3
Hogs	Cwt.	15.73	19.47	24
Beef cattle	Cwt.	15.83	18.10	14
Milk, wholesale	Cwt.	4.15	4.18	1
All chickens, live	Pounds	.189	.187	- 1
Eggs	Dozens	.374	.361	- 3
All livestock and products	1910-14=100	236	258	9
All farm products	1910-14=100	238	247	4

1/ Equivalent on-tree returns for all methods of sales.

Prices Paid Up From Last Year

Prices paid by farmers (including commodities, interest, taxes and wage rates) so far this year have averaged $3\frac{1}{2}$ percent higher than a year earlier. This is the biggest annual increase since 1951. Higher food prices and the higher cost of purchase and operation of automobiles have pushed up family living costs this year. Higher prices for feeder livestock, motor vehicles and farm machinery, as well as higher charges for interest and taxes and higher wage rates have been mainly responsible for advances in farm production costs.

In recent months, the overall index of prices paid by farmers has tended to stabilize at a record high level first established last April. However, some further slight increase in prices paid by farmers appears likely, particularly for taxes and interest costs and possibly wage rates.



With both prices received and prices paid so far this year running above 1956 in about the same proportion, the parity ratio in the first 10 months of 1957 averaged 82 nearly as high as in the first 10 months of last year. A further rise in cost rates to farmers in 1958 may lead to a further small decline in the parity ratio.

Farm Income Up
Slightly

Farm operators realized net income is slightly higher again in 1957, the second year of gain after 4 consecutive years of decline. Cash receipts from farm marketings are expected to exceed last year. In addition, Soil Bank payments are likely to add about 680 million dollars to total cash receipts, and realized gross income is slightly above a year ago. With a smaller farm population this year and slightly increased income from both farm and nonfarm sources, net income per person of farm people should show a substantial increase over last year.

Through October, farm product prices were running about 3 percent above last year but the volume of marketings was a little smaller. Receipts from livestock and products were up about 5 percent from a year ago. Marketings of meat animals were down slightly from 1956, but prices were higher, particularly for hogs which averaged nearly 20 percent above last year. Cash receipts from dairy products were up a little with both milk production and prices running slightly higher. Receipts from poultry and eggs were substantially lower because of lower average prices for eggs, chickens, and turkeys. Crop receipts were down about 5 percent from 1956 with most of the decline coming in wheat, cotton, tobacco and potatoes. Prices of wheat and cotton were about the same as last year, and tobacco was up a little, but Soil Bank participation and curtailment in tobacco allotments cut production somewhat.

Farmers' production expenses have also been up a little from last year. The higher prices this year for items used in production have been mentioned. The greatest increases in expenses are shown by some of the overhead items including depreciation, taxes, and farm mortgage interest. Expenditures for livestock purchases, petroleum fuel and oil, cash wages, pesticides, fire, windstorm and hail insurance, and binding materials were up also from 1956. Farmers' realized net income was at an annual rate of 12.1 billion dollars in the first three quarters of 1957. For the year as a whole it may total slightly higher than the 12.1 billion dollars for all of 1956 and well above the 11.6 in 1955, the postwar low.

In 1958, larger marketings and farm product prices near this year's levels may result in somewhat higher cash receipts. Government payments may not be much different, with somewhat smaller acreage reserve payments but a probable increase in payments under the conservation reserve program of the Soil Bank. Consequently, realized gross farm income may be up slightly from this year. But production expenses are also expected to show some small further increase.

Commodity	Unit	Season average		Support		October 15, 1957
		price		prices		
		1955-56	1956-57	1956	1957	Average : price : Parity :received : price
Tobacco:						
Flue-cured	Ct. per lb.	52.7	51.5	48.9	50.8	55.0 56.5
Burley	Ct. per lb.	58.6	63.5	48.1	51.7	--- 57.4
Food grains:						
Wheat	Dol. per bu.	1.99	1.97	2.00	2.00	1.92 2.50
Rye	Dol. per bu.	1.06	1.16	1.27	1.18	1.02 1.68
Rice (rough)	Dol. per cwt.	4.81	4.75	4.57	4.72	4.94 5.77
Feed grains:						
Corn	Dol. per bu.	1.35	1.29	1.50	1/ 1.40	1.06 1.81
Oats	Dol. per bu.	.601	.689	.65	.61	.612 .876
Barley	Dol. per bu.	.919	1.00	1.02	.95	.833 1.36
Grain sorghums	Dol. per cwt.	1.75	2.05	1.97	1.86	1.43 2.66
Oilseeds:						
Cottonseed	Dol. per ton	44.60	53.50	48.00	46.00	49.80 71.90
Soybeans	Dol. per bu.	2.22	2.17	2.15	2.09	2.04 3.02
Peanuts	Ct. per lb.	11.7	11.2	11.4	11.1	9.93 13.6
Flaxseed	Dol. per bu.	2.90	2.99	3.09	2.92	2.99 4.56
Dry edible beans	Dol. per cwt.	7.01	6.86	6.31	6.31	6.75 9.41
Cotton:						
American Upland	Ct. per lb.	32.33	31.70	29.34	28.81	32.33 37.06
Wool (grease basis)	Ct. per lb.	42.8	44.3	62.0	62.0	49.6 65.4

1/ Support price in commercial area, in compliance with allotments. Support for non-compliance corn in commercial area \$1.10. Support in non-commercial area \$1.27.

LIVESTOCK AND MEAT

Prices for cattle will likely average as high or higher in 1958 than this year. Prices for hogs may be nearly as high in the first half but will be appreciably lower by the fall. Prices of sheep and lambs may not change much from 1957.

Prices thus will continue generally higher than in 1955 and 1956. Prices of each species have been higher in 1957 than in those years, reflecting reduced production and sustained demand.

Accompanying higher prices in 1957 are record harvests and declining prices of feed. This gives a strong stimulus to expanded livestock production. Hog production already has started upward. The 1957 fall pig crop probably is around 3 percent larger than the 1956 fall crop. Producers in 10 principal States planned in September to step up their December, January, and February farrowings 7 percent. The total 1958 spring pig crop will be up at least this much, and probably a little more -- perhaps 8 to 10 percent. Prices of hogs will likely hold up well through mid-summer of 1958 but will decline more sharply than usual afterward. Prices in the fall will be appreciably lower than in the fall of 1957. The extent of reduction will depend largely on how much the spring pig crop actually increases. Very large expansion would bring danger of severely depressed prices.

Abundant feed will encourage a high volume of cattle feeding this winter and probably will result in feeding to very heavy weights. As another consequence, it may help to slow down the present downswing in cattle numbers on farms, and to cut it short. But the numbers decline which began during 1956 is continuing in 1957 and probably will last another year or two. Slaughter can be expected to decrease longer than inventories, possibly a couple of years longer. Generally rising prices for cattle can be expected during most of this period, provided consumers' incomes and demand for beef remain high.

Feeder cattle have moved into feedlots later in 1957 than they did in 1956. Although they are heavier and will not require as long feeding, they may not be ready for market by the time most of the old-season supply of long-feds has been moved. An interval of smaller supplies and higher prices of fed cattle thus may elapse before seasonal increases in supply and declines in price begin. The seasonal price low, which has frequently been in February, may be later in 1958.

Despite higher prices paid for feeder cattle this fall, profits in feeding may be at least average. Lower priced feed will reduce costs of feeding while prices for fed cattle will be strengthened by a smaller cattle slaughter expected in 1958. Slaughter will include almost as many steers as in 1957, but fewer cows and heifers due to withholding for herd expansion.

A reduced slaughter of lambs in the summer and fall of 1957 indicates interest in rebuilding sheep herds. The reduction did not occur soon enough to have much effect on sheep numbers January 1, 1958, which will be about the same as those in January 1957. It might result in some build-up later. Prices of sheep and lambs, always sensitive to changes in the general level of livestock prices, may be about as high in 1958 as in 1957, when they equaled the highest prices in 5 years.

Total meat production in 1958 may be about the same as in 1957. Beef output probably will decrease. The expected increase in pork will be largely confined to the latter part of the year. Consumption of meat per person may be about the same as in 1957 or slightly less. Beef consumption is forecast at 81 pounds compared with the 84 pounds of 1957; pork consumption at 64 pounds compared with 62; and total meat at 158 pounds compared with 159 in 1957. Retail prices of beef are expected to average slightly higher in 1958. Pork prices may be about the same as in 1957 during the first half of 1958, but lower in the second half.

DAIRY PRODUCTS

Consumer demand for dairy products for the coming year is likely to be maintained at the high level of 1957. Prices to farmers will continue at current levels, allowing for seasonal variation, through at least March 1958, the end of the current marketing year. Prices for the 1958-59 marketing year will be influenced by the level of supports to be announced before March 31, 1958. With an increase in milk production and sales likely and smaller total quantities used in farm households, cash receipts from dairy products in 1958 are likely to rise further to a new high, if prices continue at present levels. Net returns from dairying could increase in 1958, as the average of all costs including feed may not change significantly.

In the past decade, the demand for butter, evaporated milk and a few other dairy items has declined significantly despite steady increases in consumer incomes. The effect of this on the total per capita demand for milk has not been entirely offset by increases in demand for a number of dairy items, including fluid whole milk, cheese and ice cream.

The net effect of these two opposite tendencies is that consumption from all sources, measured on fat solids basis, was around 705 pounds per person in 1957, compared with 707 pounds in 1956 and the 1947-49 average of 742 pounds. The 1935-39 average was 802 pounds. The quantities distributed from CCC stocks or through the School Lunch and Special Milk Programs were equivalent to 25 pounds in 1957, leaving per capita consumption from commercial sources at 680 pounds, slightly above the record low of 676 pounds in 1956. Even with these declines in per capita usage, total consumption from commercial sources increased from 109 billion pounds in 1950 to 114.5 billion in 1957, reflecting the increase in population.

Many of the dairy items for which consumption has increased consist mostly of solids-not-fat and contain little or no milkfat. Per capita consumption of milk solids-not-fat in all dairy products was 48 pounds in recent

years compared with 46 pounds in 1950 and less than 40 pounds in the 1920's and 1930's. Some items which have increased, such as ice cream and cheese contain fat as well as solids-not-fat. But consumption of milkfat in all forms has declined to 27 pounds per person in the last few years compared with 29 pounds in 1950 and 31 to 32 pounds in the 1920's and 1930's.

Retail prices for manufactured dairy products probably will change little in the next year, unless support levels are altered. Fluid milk prices, however, may show a very slight further increase. Gross margins for processing and marketing fluid milk are continuing to widen and prices paid by dealers for milk are increasing above established minimum levels in a growing number of markets. From 1956 to 1957 retail dairy prices increased slightly.

The number of farms keeping milk cows in the United States is shrinking at a rate between 4 and 5 percent per year. But the average number of cows kept per farm is getting larger. The net effect has been a decline in total number of milk cows of less than 1 percent per year. This has been more than offset by the increase in production per cow, and total milk flow has reached progressively higher records. In the coming year, milk prices will be less favorable relative to beef cattle, but more favorable relative to hog prices and feed costs. Supplies of feed concentrates and roughages are record high and better distributed than last year. In 1956-57, large areas of the Plains were short of roughage. Only a narrow band along the Atlantic Coast is seriously short of hay this year. For the country as a whole, the rate per cow is likely to exceed the 6,150 pounds anticipated for 1957 by another 2 percent or so. Barring widespread adverse feed and pasture growing conditions, total milk output will set a new record high, probably 1 to 2 billion pounds above the record 127 billion produced in 1957.

Purchases of dairy products under the price support program in the first 9 months of 1957 were larger than a year earlier by the equivalent of 500 million pounds of milk, largely because of increased purchases of cheese. For the year as a whole, purchases will take around 5 percent of output, about 20 percent more than in both 1955 and 1956. Stocks of butter owned by CCC, although larger than a year ago, are small compared with recent rates of disposition. Holdings of cheese are now about the same as a year ago; stocks of nonfat are larger. Stocks of all items are well below the peak levels of three years ago. A large portion of purchases were disposed of at a comparatively small recovery of original costs. Over an 8-year period, the net cost to the Government of the dairy price support program was 1,400 million dollars. In 1958, supplies of milk will again exceed expected utilization though the extent of purchases could be influenced by a change in price support level.

POULTRY AND EGGS

Egg producers are likely to find 1958 a more profitable year than 1957. Egg prices will be higher, feed costs lower and volume of egg sales will be only slightly under the record volume maintained in 1956 and 1957. Improved egg-feed price relationships this fall and winter will induce some increase

in number of chickens raised next year for flock replacement purposes. But pullets from that source will not be ready for addition to laying flocks until after mid-1958. Since the year will start with 5 percent fewer layers, the average number during the year will be slightly under 1957. Egg production per bird probably will show another increase of 2 percent as in each of the past 8 years. Thus, annual egg output on farms in 1958 is likely to be within 2 percent or so of the record 61 billion produced in both 1956 and 1957.

Prospects for producers of poultry meat are not as favorable. Broiler production for 1958 will probably rise slightly above the 1957 record of about 1.4 billion birds. Prices received by broiler growers during the year are likely to average close to the 19 cents per pound which is estimated for 1957. Higher-than-average prices during the summer again will offset lower prices during the final quarter. The structure of the broiler industry, with "contracted" production in practically all the specialized areas, tends to sustain output despite narrow profit margins.

A similar financial structure is appearing in the turkey industry, where feed dealers underwrite part of the production expenses, with tie-in arrangements to hatcheries. This may limit the 1958 decline from the record 80-1/2 million turkeys raised in 1957 to a cut of 5 to 10 percent. If such a cut develops, turkey prices in the last 4 or 5 months of 1958 would probably exceed comparable 1957 prices. For early 1958, the price prospect is dominated by large storage stocks of turkeys, and prices will be below 1957. Current testings of breeders, and hatchings of turkey eggs, suggest a sharper 1958 cut in output of small turkeys than of large (Bronze) ones.

For most of next year, expected lower average feed prices than in 1957 will tend to hold poultry production—especially broilers—at higher levels than their prospective prices would indicate.

Per capita supplies of eggs in 1958 will be reduced as much as 5 percent from the 360 eggs now anticipated for 1957. This would be the lowest level in 15 years, despite record incomes and relatively low prices, indicating a continuation of the significant long-term decline in consumer demand for eggs. Storage stocks of turkeys are large and supplies for calendar 1958 are expected to total 5.7 pounds (ready-to-cook) per person if the production cut is moderate. This consumption would be only slightly smaller than the record of 5.8 pounds per person in 1957. An anticipated slight rise in broiler output will raise per capita chicken consumption from 25.3 pounds in 1957 to about 26 pounds in 1958. More than 70 percent of this will be broilers, the rest farm and backyard chickens.

Prospective developments would raise farmers 1958 gross income from egg and poultry production from the 3.2 billion dollars indicated for 1957. Net income would be up more than gross; per-unit costs of production will be lower on account of lower feed prices, and receipts for eggs probably will be up, particularly early in the year. Prices may also be up for turkeys by the end of 1958.

OILSEEDS, FATS, AND OILS

The outlook for fats and oils in the 1957-58 marketing year is dominated by the large supplies of edible fats and oils in prospect. Domestic and export demand is expected to continue strong. Prices of butter this fall and winter likely will average about the same as a year earlier but those of lard and vegetable oils may be somewhat lower. Prices later in the season will depend to a considerable extent on the size of foreign crops, prospects for 1958 domestic crops, as well as international developments.

Smaller stocks of food fats and oils on October 1, 1957 are expected to be more than offset by increased output. Larger supplies of all major food fats except cottonseed oil are in prospect.

Output of vegetable oils through next September will be moderately above that in 1956-57. Prospective supplies of oilseeds would be large enough to allow a high level of consumption and exports as well as an increase in stocks on hand next October 1 above the relatively low level prevailing this year. Soybean oil output, based on current forecasts of crush and exports, may reach a new high and will more than offset a decline in cottonseed oil production. Carryover stocks of soybeans next October likely will be up sharply from the 10 million bushels at the beginning of the current marketing year, and a substantial portion of them are likely to be in the hands of CCC.

Lard output in 1957-58 is expected to be a little larger than in 1956-57 and to slightly more than offset lower beginning stocks. Prices may average a little lower than in 1956-57 as monthly prices show somewhat less variation. Exports are likely to continue near last year's level.

The strength of export demand will again be a major influence on the level of domestic prices of fats and oils. The supply of food fats is well in excess of probable domestic use and stocks will increase unless exports are about as large as a year ago. In addition, part of the soybean crop not crushed or exported will be held in year end stocks.

The outlook for exports of food fats and oils (including the oil equivalent of soybeans) through next September appears relatively good. Exports may be close to the record volume shipped abroad in the past marketing year. The movement abroad will be encouraged in part by lower prices than in 1956-57 and by Government programs which enable foreign nations to use their own currency to purchase fats and oils in this country. Competition in world markets may be a little keener than the two preceding marketing years as total exportable supplies from some countries will be somewhat larger. Of course any significant changes in estimates of foreign oil crops or in political developments could materially affect the demand for U. S. fats and oils. Soybean exports in 1957-58, following the upward trend of recent years, are expected to reach a new high of at least 90 million bushels compared with 85 million for the season just ended.

Domestic disappearance of food fats and oils in 1958 is expected to average around 44 pounds (fat content) per person, close to the rate estimated for this year. Prospects are that the per capita rates for butter, margarine, lard and shortening will differ little from those indicated for 1957, but some increase is likely for the "other edible oils." The consumption rate for these oils -- used mainly in the form of cooking and salad oils, mayonnaise and French dressing, and possibly "ready-to-eat" foods -- has trended upward slightly in the past few years.

The 1957 peanut crop will provide more peanuts than required for food and farm uses and substantial quantities will be available for crushing, exports and for carryover stocks. Prices to farmers in 1957-58 will average near the support program loan value, which is slightly lower than a year earlier. The extent to which the anticipated reduction will be reflected in the price of peanut products purchased by consumers will have some bearing on the peanut consumption rate in 1957-58. Civilian consumption probably will be around 4.5 pounds (shelled basis) per person, close to the 1956-57 rate.

A marketing quota of 826,000 tons (1,652 million pounds) of 1958 crop peanuts and a national allotment of 1,610,000 acres for picking and threshing was announced on October 28, 1957. This is the minimum marketing quota and acreage allotment permitted under existing legislation. Last year the allotment was also 1,610,000 acres. If growing conditions are average in 1958, yields would probably be high enough to provide a moderate surplus of peanuts above probable food and farm uses.

Flaxseed supplies in 1957-58 will be relatively tight in contrast to last year's surplus. The sharp drop in domestic supplies sent flaxseed prices up from \$3.05 per bushel (No. 1 spot, Minneapolis) in July to \$3.38 in late October. Production of 1957 crop flaxseed which provides most of the supply for the rest of the marketing year, is indicated at 27 million bushels, the smallest since 1946 and only slightly more than half the 1956 output. Infestation of aster yellows in the important producing States of Minnesota and the Dakotas has sharply reduced yields per acre. Prices received by farmers are expected to average slightly higher than the \$2.00 per bushel of last year. Total disappearance of flaxseed and linseed oil in 1957-58 may be slightly larger than production, and stocks are expected to be reduced to a minimum working level by July 1, 1958.

The outlook for the 1957 tung oil crop is the most favorable in recent years. Current prospects are that output probably will be somewhat larger than a year earlier as the tung orchards were not as seriously hit by early spring freezes this year. Preliminary estimates indicate a crop of about 35 million pounds of tung oil. Domestic use in recent years has averaged about 50 million pounds. Stocks of tung oil on November 1, 1957, the beginning of the new marketing year are estimated at 23 million pounds compared with 13 million a year earlier. CCC held approximately 15 million pounds of the beginning stocks this marketing year. During the marketing year just ended there has been little price incentive for producers to redeem loans.

Tung oil imports are restricted by Presidential Proclamation and the quota for the period September 9, 1957-October 31, 1958 is set at 26 million pounds.

The 1957 U. S. tung nut crop is being supported at \$52.13 per ton (65 percent of parity), basis 18.5 percent oil content. The equivalent support price for tung oil, is 20.5 cents per pound. Support last year was \$53.76 (65 percent of parity) for tung nuts and the equivalent figure for tung oil was 21 cents per pound. Price support for tung nuts is mandatory at some level between 60-90 percent of parity. Farm prices probably will average near the support level.

Inedible tallow and grease output is expected to remain large in the 1957-58 marketing year and about the same as a year earlier. Prices in 1957-58 will depend to a large extent upon the level of exports, as little change is in prospect for domestic disappearance.

FEED

Feed supplies for 1957-58 have again set a new record high. Total feed concentrate supplies, which reached 200 million tons for the first time in 1956, increased another 6 percent this year. The big supply estimated in October at 213 million tons is the result of a favorable growing season and record stocks of 47 million tons carried over from previous years. The 1957 growing season was favorable for both feed grains and forage crops. Record supplies of feed grains and hay are available, both in total tonnage and in relation to the number of livestock to be fed. Supplies are also much better distributed by areas this year than in any of the last 4 or 5 years.

Domestic consumption is expected to be a little heavier in 1957-58 than last year and exports of feed grains are expected to continue near the high rate of the last 2 years. Even with this heavier disappearance a further increase of around 10 million tons in carryover stocks into 1958-59 is in prospect.

Not only are feed concentrate supplies ample for this season, but the big carryover in prospect for next year practically assures adequate supplies for 1958-59 as well. A carryover of around 57 million tons assures adequate feed concentrate supplies even if the 1958 growing season should be the poorest in 50 years.

Feed grains prices are expected to average somewhat lower in 1957-58 than in 1956-57. Prices of each of the four feed grains declined this summer and fall with the harvesting of the 1957 crops. Prices received by farmers in mid-October averaged 12 percent lower than a year earlier. Prices are expected to continue lower than a year earlier at least through the coming winter and spring, influenced by the record 1957 production and lower price supports than in 1956. There probably will be less than the usual seasonal rise from this fall to next spring. Feed grain prices made practically no seasonal gains during 1956-57.

The national average support rate for 1957 corn is \$1.40 per bushel for producers in the commercial area complying with their acreage allotments, and \$1.10 for noncompliers. Since a comparatively small percentage of the farmers in the Corn Belt are eligible for the \$1.40 per bushel support, corn prices probably will average somewhat lower this coming winter and spring than the \$1.21 bushel average in that period of 1956-57.

The 1957-58 corn supply, estimated in October at 4,663 million bushels, is slightly above the record supply of last year and nearly a fifth larger than the 1950-54 average. The 1957 crop indicated in October at 3,305 million bushels is expected to exceed our total requirements by around 100 million bushels, leaving a carryover into 1958-59 of around 1,450 million bushels. Supplies of barley and sorghum grains for 1957-58 also are the largest of record, while the oat supply is about average. The sorghum grain supply increased sharply to nearly 600 million bushels, about double last year's supply. Large quantities of sorghum grains and barley are being placed under price support and very large stocks of these grains are expected to be carried over into 1958-59.

Supplies of high protein feeds for 1957-58 are expected at least to equal the large supply of last year. Production of soybean cake and meal may be a little larger than last year's record output of 7.5 million tons, while smaller production of cottonseed and linseed meal is in prospect. Prices of high protein feeds in early October were only slightly lower than a year ago and they may average near last year's level for the 1957-58 feeding season.

WHEAT

A further reduction in the wheat carryover of 50 million bushels or more may occur in 1957-58, following the drop of 125 million bushels in the 1956-57 marketing year. During the 1958-59 marketing year, however, a substantial decline in wheat carryover is not likely since present indications suggest another very large crop. The carryover, which increased from 256 million bushels in 1952 to 1,036 million in 1955, was down to 908 million on July 1, 1957.

The reduction in stocks in 1956-57 resulted from record exports of 549 million bushels. The previous record was 504 million in 1948-49. As in other recent years, a large part of the 1956-57 exports were moved under Government export programs.

Total wheat supplies for the 1957-58 marketing year are estimated at 1,843 million bushels, including the carryover, the crop estimated at 927 million and imports, mostly of feeding quality wheat, of about 8 million bushels. Although smaller than in the last 3 marketing years, these supplies are larger than in any year before 1954-55. Domestic disappearance for 1957-58 is estimated at about 590 million bushels, slightly above 1956-57,

reflecting some increase in seed use. Assuming exports of about 400 million bushels, sharply below the record in 1956-57, the carryover July 1, 1958 would total about 850 million bushels.

Close to 49 million acres would likely be harvested as grain in 1958 if 5 million acres are put in the Acreage Reserve of the Soil Bank Program and acreage abandonment and diversion are average. Assuming a yield of 20 bushels per acre, a crop of about 975 million bushels would be produced. Yields per acre have been very high in recent years on reduced acreages. Moreover, moisture conditions have been excellent for the winter wheat crop this year. If yields equal the 1957 all-time record yield of 21.5 bushels, another billion-bushel crop would be produced.

Domestic disappearance in 1958-59 is estimated at about 600 million bushels. If the crop should total 975-1,050 million bushels, exports in excess of 375-450 million bushels would be necessary to avoid an increase in carryover stocks. This could well occur, but a substantial decline in the wheat carryover would not be likely.

The minimum national average support price for 1958-crop wheat is \$1.78. This price reflected 75 percent of estimated transitional parity, when announced in April 1957, and compares with \$2.00 for both 1956 and 1957. The minimum support will not be reduced but may be increased if a combination of the wheat parity price as of July 1, 1958 and the wheat supply relationships as of that same date indicate a higher support price.

The full support level will be available in the 36 commercial wheat States for producers who comply with their individual farm acreage allotments. Support rates for wheat produced in the 12 noncommercial wheat States are set by law at levels representing 75 percent of the rates calculated on the national average. In the noncommercial States, acreage allotments and marketing quotas will not apply.

RYE

The supply of rye for 1957-58 totals 36.5 million bushels. This includes a carryover of 6.7 million, estimated production of 26.4 million and imports of 3.4 million (restricted by quota). This supply compares with 41.7 million bushels last year and the 1951-55 average of 37.0 million.

Domestic disappearance of rye in 1957-58 may total about 24 million bushels, compared with 24.3 million in 1956-57, and the 5-year average of 22.3 million. Rye exports may total about 4 million bushels, which is above the 5-year average of 3 million, but sharply below the 10.7 million bushels in 1956-57. As a result, the carryover July 1, 1958 may be about 8 million bushels, slightly above the 6.7 million last July 1, but below the average of 11.7 million.

The 1957 rye crop is being supported at an average of \$1.18 per bushel. This is below the \$1.27 for the 1956 crop but the same as the \$1.18 for the 1955 crop. Reflecting the lower support rate and also the larger crop, prices in July-September have been 10 percent below a year earlier.

RICE

The rice carryover on August 1, 1957 of 20.1 million cwt., in terms of rough rice, was reduced 42 percent below the record of 34.6 million cwt. a year earlier. This sharp cut in rice stocks during 1956-57 reflected record exports of 37.7 million cwt., largely CCC stocks moved under Government foreign aid programs. These exports were 50 percent larger than the previous record of 25.1 million cwt. in 1952-53. The reduction in carryover also reflected a 15 percent smaller crop in 1956 resulting from acreage reduction due to the allotment and quota programs. Some further reduction in carryover is expected during the 1957-58 marketing year.

World trade in rice in 1956-57 increased 15 percent, by far the largest gain in a decade. This increase followed liquidation of world surpluses of 2 years ago and occurred under a relatively stable market.

The carryover of rice, at 20.1 million cwt., on August 1, 1957, the beginning of the 1957-58 marketing year, together with the smaller 1957 crop indicated in October at 41.9 million cwt. plus small imports of about 0.2 million cwt. results in a total supply of 62.2 million. Use of rice in the United States is estimated at about 27.2 million cwt. and exports are expected to total about 19 million cwt. Exports will again be largely from CCC stocks under Government financing. This disappearance would leave about 16.0 million cwt., in terms of rough rice, in the carryover on August 1, 1958. While the carryover of this size would be down sharply from the record on August 1, 1956, it is still large, over 3 times the 1946-55 average of 5 million cwt.

Under provisions of existing legislation and with the large supplies still remaining, acreage allotments and marketing quotas will, no doubt, need to be proclaimed again for the 1958 crop. The national acreage allotment for 1958 is set by law at the 1956 level of 1,652,596 acres. Allowing for underplanting, abandonment and the Soil Bank, with average growing conditions, the acreage harvested may result in a crop next year 5-10 percent larger than the 1957 crop.

FRUIT

Among 1957-crop deciduous fruits that will continue to be marketed this fall and winter, the commercial apple crop is 13 percent larger than the 1956 crop, and that of cranberries is up 8 percent. Production of fall and winter pears, which provide the main supply of fresh pears after January 1, is slightly larger than last year. However, total production

of deciduous fruit in the United States in 1957 was about 2 percent smaller than in 1956 and 3 percent under the 1946-55 average, with most of the reduction in the crops harvested early.

The 1957-58 crop of early and mid-season oranges is about 3 percent larger than the 1956-57 crop. A sharp reduction in California is more than offset by increases in other States, especially Florida, which has a record crop. But the Florida tangerine crop is down 6 percent from 1956-57. With increases in all producing States, output of grapefruit in 1957-58 (excluding the California summer crop) is up about 5 percent. On October 1, prospects for the new lemon crop were less favorable than a year earlier.

With supplies of both deciduous and citrus fruits heavier this fall than last, grower prices for most of these fruits have been averaging somewhat under the relatively high prices of last fall. But, with a smaller California grape crop, prices for crushing and drying have been averaging higher.

The world demand for fruit during the 1957-58 marketing season should be equal to or slightly better than that of 1956-57. In West European countries, some trade restrictions have been liberalized. Because of a very short deciduous fruit crop in Western Europe, increased exports of apples and pears to Europe are expected. There also may be some increase in exports of canned deciduous fruits. The smaller deciduous fruit crop in Europe will also tend to increase the demand from that area for citrus fruit, though this may not have a very appreciable effect on U. S. exports of oranges because of prospective larger supplies in the Mediterranean area. But exports of processed citrus probably will continue to trend upward. Foreign production of raisins is down considerably from the large output in 1956-57, and production of dried prunes, though larger than in 1956-57, is still below average. Despite strong foreign demand for raisins, U. S. exports are expected to be down as a result of the short output in the United States this year.

The 1958 crop of deciduous fruits in the United States probably will be a little larger than the near-average 1957 crop if growing conditions are average or better. This envisages increases in the crops of apricots, grapes, peaches and sweet cherries; decreases for apples, sour cherries and strawberries; and not much change for other fruits. Total production of citrus fruits in 1958-59 may not be greatly different from the large output in prospect for 1957-58. With prospects for continued high consumer incomes in 1958, consumer demand for fruit probably will remain fairly stable.

The 1957-58 pack of canned deciduous fruits probably will be moderately smaller than the record 1956-57 pack. The new packs of canned peaches and purple plums are down considerably from 1956-57, and that of fruit cocktail is down moderately. Although the new packs of sweet and sour cherries are up sharply, they constitute only a relatively small

part of the total pack. With the increased carryover stocks from the 1956-57 pack, total supplies of canned fruits probably will be about as large in 1957-58 as in the preceding year. In Florida, carryover stocks of canned citrus juices are much larger than a year ago.

Total output of frozen fruits and fruit juices in 1957 is expected to be somewhat larger than in 1956. Current indications are for a small decrease in the pack of frozen strawberries. But the new pack of frozen cherries is record large. The 1956-57 pack of frozen orange concentrate in Florida was a record, and a further increase seems likely in 1957-58. Florida packers' stocks of this concentrate on October 26, 1957, were about 4 percent below a year earlier.

Dried fruit production in 1957-58 is expected to total considerably under that of 1956-57. Heavy decreases are indicated for both raisins and dried prunes, which usually comprise most of the total.

Production of tree nuts in the United States in 1958 is likely to be larger than the slightly-below average crop in 1957. With lighter production of almonds and pecans more than offsetting heavier crops of filberts and walnuts, total production of these four tree nuts in 1957 is 15 percent smaller than the record 1956 crop. Foreign almond production is up sharply this year; therefore, U. S. exports are expected to be much below the record-high volume shipped in 1956-57.

COMMERCIAL VEGETABLES

For Fresh Market

Consumer demand for fresh vegetables in 1958 is likely to be about the same as in 1957. Thus, prices received by growers compared with a year earlier will depend largely on the quantity produced and the pattern of marketings.

Supplies of commercial vegetables for fresh market sale are expected to be significantly smaller this fall than last, but slightly above the 1949-55 average. Significant increases in snap beans, cucumbers, and lettuce are more than offset by a sharp reduction in early fall cabbage, and smaller crops of broccoli, carrots, cauliflower, celery and Brussels sprouts.

Prices of fresh vegetables in early fall have averaged above those of a year earlier. With smaller supplies in prospect, overall prices during the remaining weeks of 1957 are expected to continue above those of a year earlier.

For Processing

Supplies of canned vegetables into mid-1958 are expected to be a little smaller than the large supplies of last season, but substantially larger than the 1949-55 average. Stocks at the beginning of the season were larger than a year earlier, but a substantial production cut will cause the expected decline in supplies.

Among major canned items, supplies of tomatoes, tomato juice and most tomato products are likely to be substantially smaller than the large supplies of a year earlier. Green peas, corn and snap beans are expected to be in near record supply. All other canned items promise to be in plentiful supply. With smaller overall supplies and higher processing and distribution costs, both cannery and retail prices are likely to average moderately above those of the previous season.

Frozen vegetable stocks at the beginning of the season were more than a third larger than a year earlier. Despite a smaller expected pack, frozen vegetables are expected to continue in record supply. Wholesale and retail prices of most items may average the same to a little higher than last season.

POTATOES AND SWEETPOTATOES

Fewer potatoes will be available into the spring of 1958 than the burdensome supplies of a year earlier. Production of fall potatoes is down almost a tenth from last year and indications are that the winter crop in Florida and California is likely to be smaller. However, the smaller supplies in prospect appear fully ample to maintain civilian consumption rates.

Marketing agreements and orders, restricting the marketing of table-stock potatoes to the more desirable qualities and sizes, are again in effect in areas producing about 70 percent of the fall crop. The Department of Agriculture also announced in September a diversion program for 1957 fall crop potatoes similar to the one in effect for the 1956 fall crop, to promote orderly marketing of good quality potatoes and increase returns to growers. With supplies into the spring expected to be smaller than the burdensome supplies of a year ago, prices received by growers are expected to average substantially above the low levels of a year earlier.

Prospective production of sweetpotatoes, as of October 1, was slightly larger than in 1956, but there were significant reductions in areas with satisfactory storage space. Thus, supplies available during the winter and spring are likely to be smaller and prices higher than in the corresponding months of 1957.

DRY BEANS AND PEAS

Supplies of dry edible beans are somewhat smaller than a year earlier but adequate to meet anticipated demand. Supplies of the different types will be in somewhat better balance than last year when pea and red kidney beans were in very heavy supply and pintos were in tight supply. Domestic demand is expected to be about the same this season as last. But exports probably will be smaller than last season, when large quantities of beans taken over by the Commodity Credit Corporation were exported under special Government programs. With smaller, better balanced supplies and the same national average support rate, prices received by farmers for the 1957 crop are likely to average higher than last season.

Supplies of dry field peas are substantially smaller than the burdensome supplies of a year earlier, but still in excess of anticipated demand. Domestic outlets are expected to take as many peas as last season, but Europe reportedly has a better crop so that exports probably will be smaller. Barring unusually large and unexpected export demand, prices received by farmers for 1957 crop peas are likely to continue at relatively low levels.

COTTON

The supply of cotton in the United States in the current season is expected to be considerably smaller than the record high of 27.6 million bales of 1956-57. The starting carryover is about 3.3 million bales smaller than the record high of 14.5 million on August 1, 1956, and the crop is smaller than the 13.2 million running bales of 1956-57. Although disappearance is expected to decline from the 16.2 million bales of 1956-57 to about 14 million during the current season, supplies will be down more. The carryover on August 1, 1958, will be smaller than a year earlier.

As of October 18, about 4.2 million bales of the 1957 crop had been ginned. This compares with about 8.0 million and 7.2 million bales to the same date a year and two years earlier. The rate of ginnings from the 1957 crop is expected to increase as the season progresses.

CCC loans outstanding on 1957 crop cotton on October 18 covered about 407,000 bales. This compares with about 1,329,000 bales a year earlier. Total stocks of cotton held by CCC (owned and held as collateral against outstanding loans, but excluding sales for export) were about 5.4 million bales on October 18; about a year earlier such stocks were approximately 9.5 million bales.

Exports of cotton during the current season are estimated at 5 million to 6 million bales. Although the middle of this range is a little more than 2 million bales smaller than exports of 1956-57, it would be the largest for any other season since 1951-52. During 1956-57 exports were large because of a stock buildup in foreign countries of close to 2 million bales. Such a stock buildup is not expected this season. Production of cotton abroad increased steadily from the end of World War II to 1955. Since then it has remained more or less stable. At the same time, consumption of cotton abroad has continued to increase. This has created a larger export market for U. S. cotton.

The U. S. Government has allotted about 242 million dollars as of October 28 to finance the exports of cotton during the fiscal year ending June 30, 1958. If completely used, these funds will finance the export of about 1.6 million bales. In the year ended June 30, 1957, about 406 million dollars were used covering about 2.7 million bales. The CCC has sold about 3.7 million bales of cotton for export during the 1957-58 marketing year as of October 15. A year earlier about 4.6 million bales had been sold for export in the 1956-57 marketing year.

About 1.2 million bales of cotton from 1955 and prior years has been listed by CCC in the catalog and is available for export sale. CCC also owns about 3.7 million bales of the 1956 crop of upland cotton which have not been cataloged. Cotton is only available for sale by CCC when it is listed in the catalog.

Domestic mill consumption of cotton in 1957-58 is expected to be about the same as the 8.6 million bales of 1956-57. Cotton consumption has held relatively stable at a low level. There has been little change in per capita real income and lack of consumer demand has kept inventories of gray goods high in relation to unfilled orders at the mills. Some of the general economic forces that have held cotton end use at a low level have also affected the entire textile industry. Although the consumption of cotton per capita in 1957 is estimated to be about 9 percent lower than in 1955, consumption of manmade fibers is down about the same amount.

The difference between the market price and the support rate for Middling 1-inch cotton has widened during the current season. The monthly average 14 spot market prices from August through October 1957 were higher than during the same months a year earlier. This has occurred despite the fact that the average support rate at these markets was higher in 1956-57 than during 1957-58. The spot market quotations reflect prices paid by domestic users. Prices paid by exporters are reflected by CCC selling prices for cotton for export. These have ranged from 27.23 to 27.47 cents per pound, basis Middling 1-inch cotton, average location, since the start of sales by CCC for export during the current season on March 19, 1957.

Average prices received by farmers and parity prices during the current season also have been above a year earlier. In mid-October the average price received by farmers for upland cotton of 32.33 cents per pound was 0.39 cents above a year earlier. The mid-October parity price of 37.06 cents was 1.50 cents above a year earlier.

WOOL

World supplies of wool in 1957-58 are likely to be slightly larger than those for 1956-57. A small increase in world production has been forecast, the tenth in a row. But the increase is expected to be considerably smaller than the gain of about 5 percent last season.

In the United States, an increase in sheep numbers may be beginning and shorn wool production in 1958 may be up a little. Range conditions in most areas of the West this year have been the best of several years. Reports from the range areas indicate a strong demand for ewe lambs and breeding ewes. Slaughter of sheep and lambs in recent weeks, after allowing for the smaller inventories this year, has been low relative to a year earlier. But it is too early to tell definitely whether sheep numbers will trend higher over the next few years.

Mill use of wool during the first half of this year in the 11 countries which report to the Commonwealth Economic Committee was 6 percent above early 1956. The increase this year, the third in a row, was about two-thirds that of 1956. Use of other materials, including other animal fiber, reused and reprocessed wool, and manmade fiber, by the wool textile industries of these countries also was up 6 percent.

In contrast, use of all fiber by the woolen and worsted industries in the United States this year has been running below last year. During the first 8 months of 1957, the average weekly rate of fiber consumption in woolen spinning of yarn other than carpet and in worsted combing was down 10 percent from last year. Trade reports suggest one factor in the decline was a reduction of inventories of woolen and worsted products in manufacturing and distribution channels as a result of the higher wool prices and high interest rates. Higher prices of wool early this year also may have added impetus to the trend to lighter-weight fabric. Another contributing factor, although relatively minor from the standpoint of the amount of fiber involved, was an increase in imports of woolen and worsted manufactures during the early part of this year.

The decline for apparel wool was 14 percent, somewhat greater than the decline in total fiber use by domestic woolen and worsted mills. The rate of use of other animal fiber and reused and reprocessed wool was down 11 percent, slightly less than raw wool. Use of manmade fiber by woolen and worsted manufacturers increased 15 percent. The much higher prices of wool relative to prices of manmade staple fiber probably were a major factor in the rise.

The decline in domestic mill use of apparel wool in 1957 follows increases in each of the 2 previous years. The drop this year has been large enough to reduce the average weekly rate for the first 8 months of the year 4 percent below that of the corresponding months of 1954, when mill use of apparel wool was at its previous postwar low. Some improvement appears likely, however, as inventories of woolen and worsted products in manufacturing and distribution channels approach minimum working levels.

Consumption of fiber by woolen mills in the United States in the spinning of carpet and rug yarns this year also is running below last year. The decline in the rate for the first 8 months of this year was 4 percent, with use of raw wool down 7 percent, use of manmade fiber nearly the same as last year, and use of other materials, mostly reused and reprocessed wool, up 10 percent. Use of raw wool probably declined largely because of higher prices of carpet wool this year than last year.

Imports of dutiable wool for consumption during the first 8 months of this year were almost one-third lower than last year. The decline in quantity was about in line with the reduction in mill use of apparel wool.

A substantial quantity of domestic wool acquired by the Commodity Credit Corporation under the 1952-54 price support programs moved into trade

channels the last 2 years. With CCC holdings now very small and commercial stocks apparently about in line with mill use, larger imports would be needed to maintain mill use of apparel wool even at the present low rate.

Wool prices in world markets have generally declined except for temporary interruptions since last May, when they were at the peak of an advance that had lasted about a year and a half. Factors accounting for the decline include: (1) curtailed Japanese buying associated with an accumulation of wool textiles, particularly yarn, in manufacturing and distribution channels, and a reduction in wool import allocations; (2) uncertainty as to prospective demand for wool in the United Kingdom and France, which due to foreign exchange difficulties, have taken measures to curtail imports; and (3) apparently an easing of demand for the raw fiber in the United States.

Changes in prices in domestic markets frequently tend to lag behind changes abroad. During the early part of the 1956 domestic marketing season, prices in domestic markets were lower than usual relative to prices abroad. In recent months, however, declines in domestic markets have lagged behind those abroad and have been much smaller. Consequently, the relationship between prices in domestic and foreign markets has been somewhat higher than the average of recent years.

During the first 7 months of the 1957 domestic marketing season, the monthly averages of prices received by domestic growers for shorn wool have ranged between 5.3 and 12.1 cents above the average of 44.3 cents per pound, grease basis, for the entire 1956 marketing season. Present indications are that the average for the season is likely to be above that of last season and that the rates of payment under the incentive program are likely to be down. But a lower average price and higher rates of payment than for this season may be in prospect for the 1958 season.

The incentive level for shorn wool for the 1958 marketing year, the fourth and last under the National Wool Act of 1954, has been set at 62 cents per pound, grease basis, to the producer. The level for 1958 is the same as for the first 3 years of the incentive program. It is equivalent to 95 percent of parity, compared with 101 percent for the current season and 106 percent for the first 2 years of the program.

TOBACCO

Cigarette consumption in 1958 compared with that of the last year or two is uncertain in view of the publicity pertaining to cigarettes and health. Data for several additional months will be necessary before definite trends may be evident. Considering earlier experience, no sharp curtailment in cigarette smoking is expected. The 1957 cigarette consumption will be near 405 billion if the estimated rate during the first two-thirds of the year is maintained. This would be 3 percent above 1956 and a new high. Total output which includes exports may reach 438 billion, a little above the previous record of 1952. Filter tip cigarettes have continued to gain sharply and may comprise two-fifths or more of the total 1957 output.

In 1956-57, combined domestic use of the two principal cigarette tobaccos, flue-cured and burley, declined though the number of cigarettes manufactured increased. Most filter tip brands take less tobacco per unit of output than nonfilter brands. Other savings in leaf use have been accomplished by greater utilization of processed sheet tobacco and stems, and by more efficient machinery.

Cigar and cigarillo consumption in 1957 is estimated at 6.2 billion—not much different than in 1956. Cigar manufacturers are using processed binder on an increasing share of their output and further displacement of natural leaf binder is likely in the year ahead.

Output of smoking tobacco this year may approach 70 million pounds—3 percent below 1956 and a new low for this century. Some smokers concerned about the alleged effects of cigarettes on health may switch to pipes. If so, this may halt the decline in smoking tobacco output.

The 1957 outputs of chewing tobacco and snuff are estimated at about 73 million and 36 million pounds, respectively--both down about 4 percent from 1956. A further decline in chewing tobacco probably will occur next year. Snuff consumption after a long period of stability also appears to be trending downward.

Exports of unmanufactured tobacco in calendar 1957 are expected to be near 540 million pounds (farm-sales weight)--5 percent below 1956 and about even with the 1951-55 average. During the 1957-58 marketing year, exports seem likely to be moderately lower than in 1956-57. This year's crop of flue-cured, the leading export tobacco, is small although stocks are relatively large.

Most kinds of tobacco will be under marketing quotas and acreage allotments in 1958. The Soil Bank Program will be available again to eligible growers in 1958. The 1958 quota for flue-cured will be announced by December 1 and for other kinds by February 1. Government price supports for tobacco under marketing quotas in 1958 will be set at 90 percent of parity except for fire-cured, dark air-cured, and sun-cured tobaccos. For many years, the price supports for fire-cured have been set at 75 percent and for dark air- and sun-cured at 66 2/3 percent of the burley support level. Beginning with the 1958 crop, however, price supports for these kinds cannot exceed those for the 1957 crop unless 90 percent of parity for these tobaccos goes above their 1957 support levels.

This year's sharp cut in the flue-cured tobacco acreage and the one-eighth reduction in yields from last year's record have resulted in a crop about one-third smaller than last year. The 1957 crop plus the carryover will provide a total supply for 1957-58 about 6 percent lower than the 1956-57 record. Marketing of the crop is far along and prices for the season are likely to average over 55 cents compared with 51 1/2 last year.

The 1957 burley crop is a little smaller than last year. Total 1957-58 supply probably will be 1 to 2 percent below 1956-57 and 4 or 5 percent below the record high of 3 years ago.

The total supply of Maryland tobacco for the year ahead is estimated at about 5 percent lower than in the past year. The 1957 crop is about one-sixth lower than last year's.

The 1957-58 total supplies of fire-cured and dark air-cured (including sun-cured) are estimated 4 and 9 percent smaller, respectively, than for 1956-57. Production of these types is down about a fourth from last year.

The 1957-58 total supply of continental cigar filler is estimated at 5 percent lower than last year. The 1957-58 total supply of the combined binder types is down about one-tenth from 1956-57 and one-fifth lower than 2 years ago. Particularly sharp reductions have been made in Connecticut Valley acreage by placing allotted acres in the "reserve" of the Soil Bank.

The 1957-58 total supply of shade-grown cigar wrapper is 5 percent greater than for 1956-57 and near the record level of 1952-53.

FOREST PRODUCTS

The volume of industrial roundwood (excluding fuelwood) produced in the United States in 1957 is estimated at 9.3 billion cubic feet. This is about 4 percent less than the peak of about 9.7 billion cubic feet produced in 1956. Sawlogs are expected to account for 58 percent of the roundwood produced in 1957, pulpwood 27 percent, veneer logs 7 percent, and miscellaneous products such as cooperage logs and bolts, mine timbers, and poles and piling the remaining 8 percent.

Stumpage prices in 1957 as indicated by prices received on National Forest timber sales for Douglas-fir, ponderosa pine, southern pine and sugar pine are near record levels. Stumpage is not a homogeneous commodity and prices received for different timber sales vary considerably with quality, logging and processing costs, and marketing practices and conditions.

Sawlogs

Sawlog production in the United States in 1957 is estimated at 34.8 billion board-foot lumber tally. This is about 6 percent less than production in 1956 and 10 percent less than production in 1955. The West is expected to account for about 53 percent of the sawlogs produced, the South 34 percent, and the North 13 percent.

The decline of sawlog production since 1955 reflects a drop in residential construction—the most important single use of lumber. Since 1955 nonfarm dwelling unit starts have declined 27 percent, falling from 1.3 million in that year to 1.1 million units in 1956, and to an estimated level

of slightly less than 1 million units in 1957. Residential construction is expected to increase over the coming years as persons born during the early 1940's mature and create new families.

Sawlog prices are near an all-time high. Currently Douglas-fir sawlogs delivered at towable waters in western Oregon and Washington are selling at prices averaging from about \$67 for grade 1 logs to about \$45 for grade 3 logs, a level somewhat below 1956. On the basis of fragmentary information, prices for other sawlog species in other regions of the country have followed a somewhat similar trend, reaching a peak during 1956 and declining slightly in 1957.

Pulpwood

Pulpwood production in the United States during 1957 is estimated at 34 million cords. This is about 3 percent less than production in 1956 but 10 percent above the 30.9 million cords produced in 1955. The decrease of pulpwood production in 1957 reflects a decrease in demand for paper and paperboard and marks a temporary reversal in a trend that has been sharply upward for many years.

Softwoods, such as southern pine, western hemlock, Douglas-fir, spruce and true firs, are expected to make up about 83 percent of the pulpwood produced in 1957. It is estimated that about 58 percent of the pulpwood cut in 1957 will come from the South, 22 percent from the West, and the remaining 20 percent from forests in the North.

Pulpwood prices at local points of delivery are now at an all-time peak, at approximately the level prevailing in 1956. In the Southeast, the price of rough pine pulpwood at local points of delivery currently amounts to \$15.30 per cord. This is nearly the same as prices received in 1956 but reflects a modest increase over the \$14.40 per cord received in 1955.

Veneer logs

The volume of veneer logs produced in the United States in 1957 is estimated at 3.5 billion board-feet, including 2.5 billion board-feet of softwoods and 1 billion board-feet of hardwoods. Total production in 1957 is about 5 percent less than production in 1956, when a peak of 3.7 billion board-feet of veneer logs was produced. The decline mainly reflects less demand for softwood plywood because of the drop in residential construction.

Currently the price of Douglas-fir veneer logs in western Oregon and western Washington ranges from about \$82 per thousand board-feet for number 3 peelers to \$110 per thousand board-feet for number 1 peelers. These prices are somewhat below the levels in 1956, the previous peak year.

Prices for hardwood veneer logs are also at or near a peak in 1957, although they show wide ranges in value. Black walnut veneer logs, for example, are being quoted at from \$50 to \$375 per thousand board-feet in Illinois.

Other Roundwood Timber Products

The production of other industrial roundwood timber products such as cooperage logs, poles and piling, fence posts, hewn ties, round mine timbers and a miscellaneous assortment of other products amounted to about 700 million cubic feet in 1952. Since then trends in the production of these products have been variable but, in total, the level of production has not changed significantly.

Naval Stores

Overall naval stores production is expected to be about 3% lower in 1957 with declines in gum and steam-distilled wood naval stores more than offsetting a sizable increase in tall oil rosin and a slight rise in sulfate wood turpentine. Both domestic consumption and exports of rosin and turpentine are likely to be lower than in 1956. Rosin stocks are expected to be higher by April 1, 1958, than a year earlier, mainly because of increased CCC holdings. A slight increase also is probable in turpentine stocks this year compared with last year. About 50 to 70 thousand drums of rosin and 5,000 barrels of turpentine are likely to be placed in the 1957 loan program. Substantial redemptions are expected before the cutoff date next July 1.

Prices for turpentine and top rosin grades are expected to rise during the next few months. Not much price change is expected in medium grade rosins.

It is anticipated that the decline in gum and steam distilled wood naval stores production will continue during the crop year beginning next April 1. However, this decline should be largely offset by a 25 to 30% increase in tall oil rosin output and by 5 to 10% higher sulphate turpentine production. Not much change in domestic or export demand for U. S. production is expected next year.

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